

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION

IN RE: CITY OF DETROIT, . Docket No. 13-53846  
MICHIGAN, .  
 . Detroit, Michigan  
 . July 15, 2014  
Debtor. . 9:30 a.m.  
 . . . . .

HEARING RE. OBJECTIONS TO CHAPTER 9 PLAN  
BEFORE THE HONORABLE STEVEN W. RHODES  
UNITED STATES BANKRUPTCY COURT JUDGE

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1 THE CLERK: Case Number 13-53846, City of Detroit,  
2 Michigan.

3 THE COURT: Let's begin with an appearance by  
4 counsel for the city, please.

5 MS. LENNOX: Good morning, your Honor. For the  
6 record, Heather Lennox of Jones Day on behalf of the city.

7 THE COURT: Thank you. And let me begin by thanking  
8 those of you who have taken time to come to court today to  
9 tell me your thoughts about the plan of adjustment that the  
10 city has filed and proposed for confirmation. Your input  
11 into this process is extremely important to the process. I  
12 want you to know and understand that. I will listen to  
13 everything you have to say and give it very serious  
14 consideration. This is obviously a matter that is of great  
15 importance to you and to everyone in the city, and so what  
16 you have to say is important and will be given all the  
17 respect that it is entitled to, so with that introduction,  
18 you all know that you have approximately five minutes each to  
19 address the Court, and we will just go down the list, which  
20 on my papers here is in alphabetical order, and we'll just  
21 take turns. So we'll begin with Dempsey Addison, please.  
22 Are you here? And you may proceed.

23 MS. ADDISON: Good morning, your Honor. I greet you  
24 in the name of Yeshua, Yahweh Yeshua Ha'Mashiach, the Lord  
25 Jesus Christ, and I hope and pray that we arrive at a just

1 and appropriate outcome on pension and annuity issues for  
2 retirees and city workers in the General Retirement System.

3 I'm here to support in the appeal to you to  
4 acknowledge current City of Detroit administrators to not  
5 reduce the pension of retirees and workers who were under the  
6 city's General Retirement System prior to July 1st, 2014. I  
7 will yield the indictments of city mismanagement and alleged  
8 corruption to others, but I'm compelled by virtue of my  
9 relationship to the pension issues to speak against the  
10 unconscionable proposals and acts by those who have used  
11 their influential positions to distort and poison the minds  
12 of the public and perhaps the judicial system into believing  
13 the city committed illegal acts with regard to the amount of  
14 money committed to employee retirement funds and employee  
15 annuities. There were rules mutually agreed upon by  
16 employees, Detroit City Council, the mayors, administrations,  
17 the State of Michigan, and the federal government. There was  
18 nothing illegal about the pension and annuity plans. How is  
19 it overpayment on annuities when the monies were derived from  
20 employees' earnings after taxes, money that was voluntary by  
21 the workers according to the promised rate of interest earned  
22 on the original employee investment dollars? The annuity  
23 helped the city to maximize the return on investing dollars  
24 in the pension plan because the larger amount to invest, the  
25 greater the opportunity for a bigger return on the

1 investment. The employees committed their own dollars to  
2 boost the pension fund as well as the annuity fund. There  
3 are hundreds of investment firms, including the banks and  
4 other lending institutions, who can ask for greater interest  
5 rates because of the large amount of their initial  
6 investments. Banks, credit card organizations, and other  
7 investment firms command 29 percent or more on their  
8 investment from loans. Right now I have a credit card in my  
9 purse, your Honor, and if I don't pay it off by the end of  
10 the month, I've got to pay 29 to 31 percent on the dollar.  
11 There's nothing illegal about the city employees  
12 participating in a design to maximize their investment  
13 through the annuity plan. The city was able to build a  
14 billion dollar pension plan because the employees maximized  
15 the investment power of the pension plan.

16 Secondly, your Honor, a large portion of those  
17 pension and annuity dollars were derived from federal  
18 dollars. The federal government paid city employees to  
19 provide specific services to citizens of Detroit in need of  
20 social, health, and employment assistance, all critical  
21 support for the City of Detroit that has one of the largest  
22 populations of poverty for the city of its size. There were  
23 grant-funded dollars, could only be used for that purpose.  
24 There is no money to recoup from grant-funded dollars. The  
25 city signed a contract with the federal government to use

1 specific amounts for program operation and employee wages and  
2 fringe benefits. The city, for some unjustifiable reason,  
3 purposely shut down grant-funded programs which provided over  
4 \$200 million to the city, 600-plus jobs, \$200 million, income  
5 tax, property tax, health insurance, pensions and annuities.  
6 How can city recoup money from retirees when the money was  
7 never earmarked as nondiscretionary -- discretionary funds in  
8 the first place? Instead of asking employees to vote on an  
9 illegal plan to take back legitimate money retirees earned on  
10 their annuities and cut their pensions guaranteed by the  
11 State of Michigan, ask the city to demonstrate why they  
12 continue to spend millions of dollars on an added layer of  
13 administrative personnel duplicating the work of current city  
14 workers, \$95 million, information that was shared initially  
15 with this Court. If operations were so bad on the past  
16 administrations, why are they brought back to run the city?  
17 This is going on right now.

18           Your Honor, the federal judge in Illinois has said  
19 no to reduction to pensions. I pray the Lord place it upon  
20 your heart to leave current pensions and annuities in place  
21 as well. I thank you, and you have a blessed day.

22           THE COURT: Thank you, Ms. Addison. Next is Hassan  
23 Aleem. Are you here?

24           MR. ALEEM: I'm here. Good morning, your Honor.

25           THE COURT: Good morning. You may proceed, sir.

1 MR. ALEEM: Hassan Aleem. And one of the things I  
2 want to talk about that they object to is the ballots that we  
3 had. Those ballots were not the official ballots for the  
4 Bankruptcy Court. The form that they were issued were one  
5 page where they said to accept or reject the plan, and  
6 underneath that you printed or signed your signature. The  
7 other ballots that we had to use were two pages, and in the  
8 process of that one page had the signature on it, the other  
9 one had accept or reject, and it's easy to duplicate the  
10 other ballots without a person knowing about it. The whole  
11 thing on any election or balloting process is the purity of  
12 that process and the fact that it can't be tampered with.  
13 This one is easy. That's really a no-brainer with two  
14 separate forms, so one they can just run off copies  
15 regardless of if the people vote to reject the ballot or not.  
16 And I'm not saying they're doing that, but it's possible, and  
17 that's the whole thing is to cut down on any corruption. And  
18 I know that former Mayor Daley of Chicago and the Daley  
19 machine would be very pleased and even impressed with the way  
20 that Kurtzman Carson and consultants and the Jones Day folks  
21 configured those ballots for us to vote on because the mantra  
22 of the Daley machine was to vote early and often, and that's  
23 what people had to do with those other ballots.

24 The other thing is with the bankruptcy, the elected  
25 officials, the councilmen, never voted to take us into

1 bankruptcy. The Bankruptcy Code provides that only  
2 municipalities' elected officials can go to bankruptcy, and  
3 cases have been dismissed as Harrisburg and other water  
4 departments where they didn't have elected officials that  
5 proceeded in bankruptcy, so it's the same thing here. This  
6 case should be dismissed.

7           The other thing on the consent agreement, Act 436  
8 was not followed because they have this four different groups  
9 that the city could have chosen, the consent agreement,  
10 emergency manager, Chapter 9 bankruptcy -- that was part of  
11 one -- or a neutral evaluation process. So even with this  
12 emergency manager, the emergency manager doesn't go to  
13 bankruptcy. Those are separate categories under emergency  
14 manager law, which is known as Public Act 436.

15           Now, it's interesting that there was no financial  
16 review done for this because the old law, Public Act 4, was  
17 repealed by a statewide vote, which in that case when a --  
18 this law was brought in as a successor law, was actually --  
19 it was a violation of the Constitution, federal and state, ex  
20 post facto provision where you bring in something after the  
21 fact, but even that they did that, part of the Michigan  
22 Constitution said they had to get a three-fourth vote to  
23 override a statewide amendment of the people. That didn't  
24 take place. That was an Article II, Section 9, of the  
25 Michigan Constitution. And so with this consent judgment or



1 this emergency manager that they brought in, that he was so-  
2 called grandfathered in, he was grandfathered in by the other  
3 law, the previous Public Act 72, but nowhere in the Municipal  
4 Emergency Loan Board Act does any of those people have the  
5 authority to appoint a financial manager, emergency manager.  
6 They don't have the authority to appoint anybody to run a  
7 municipality or school district. That law has been -- it was  
8 back in 1980. It has been amended twice, amended two other  
9 time. Nowhere does it say that. So this man is here without  
10 any legal authority, so there is no authority -- state  
11 authority, no state law that the bankruptcy law, Title 11,  
12 says they have to have. They have to have -- they have to be  
13 able to point to a state law in order for them to even go to  
14 bankruptcy. That never happened. The state law that they're  
15 using, 436, specifically says in Section 8 -- 13 -- Section  
16 13 says that this section does not authorize the impairment  
17 of vested pension benefits, so you have a person that is  
18 violating their own law that they're purporting to be under.

19 THE COURT: Sir, your time is up. Do you need --

20 MR. ALEEM: Thank you. Thank you very much.

21 THE COURT: Okay. You're welcome. Thank you, sir.

22 Next on our list is Wilson Allen. Wilson Allen. Laurence  
23 Aurbach. Laurence Aurbach. Laurence J. Aurbach. Okay.  
24 Dorothy M.W. Baker. Dorothy Baker. Patricia Beamon.  
25 Patricia Beamon. Audry Bellamy. And you may proceed.

1 MS. BELLAMY: Good morning, your Honor. I want to  
2 thank you for this opportunity to express my objection to the  
3 city's plan of adjustment. I stated my name is Audry  
4 Bellamy. I'm a current 17-year employee with the City of  
5 Detroit, work in the finance assessments division. I'm also  
6 president of the Senior Accountants, Analysts and Appraisers  
7 Labor Association. I object to this plan of adjustment  
8 because I don't feel it's about bankruptcy. Rather, I feel  
9 it's about the death of the middle class. And I say that  
10 because I received my MBA in finance in 2011, and during my  
11 research I came across a article that talked about how the  
12 Republican party had received hundreds of millions of dollars  
13 from global interests to reduce the salaries of American  
14 workers so that these global interests could afford to come  
15 over here and do business. And then I read the water  
16 department's 2012 audit report and saw that the state had  
17 passed a law stating that the city's water department could  
18 not use its funds to support the city's general fund. And  
19 right then I knew that this bankruptcy was part of a much  
20 grander scheme, a scheme that included attacking the middle  
21 class. Well, once the Republicans put -- you know, got their  
22 cabinet together in Lansing, they set out to do just that.  
23 They put their security plan in action. They raised taxes on  
24 the middle class, both income and property taxes. They even  
25 taxed their pensions. And instead of paying the bills that

1 were due to the city, they withheld those funds. That  
2 effectively reduced the budgets of all city departments,  
3 especially the police, fire, and EMS departments. And with  
4 this safety net pulled out from under people, it changed the  
5 demographics of a city just like that. The middle class  
6 pulled up stakes, and they left, but the powers that be did  
7 not stop there. They continued all the ugly things that they  
8 could think of to make workers want to leave. They  
9 threatened to reduce their pensions. They threatened to  
10 increase their healthcare costs. They even contracted out  
11 their jobs at costs that were higher to the city. They sent  
12 in Kevyn Orr and his company to treat the city like a  
13 corporation and to treat us like at-will workers rather than  
14 the civil service employees that we are. They quickly filed  
15 bankruptcy to ignore the state's Constitution that protects  
16 pensioners and set out to choke off the city's money supply  
17 with threats to sell off all its assets. However, selling  
18 the city's assets I don't believe was ever part of their  
19 scheme. It was to have the state take control of those  
20 assets and use them to allow millionaires and billionaires to  
21 make millions and billions more while bringing in more money  
22 to the state and, of course, the Republicans' campaign chest.  
23 Taxes were raised on the middle class while newcomers to  
24 Detroit paid no income or no real estate taxes at all,  
25 gentrifying of the downtown and midtown areas, the Cass

1 Corridor. And even Belle Isle began displacing the poor and  
2 homeless with no provisions left for them at all. They lured  
3 in newcomers at nearly no cost to them. You see, they  
4 exempted these newcomers from state and city income taxes as  
5 well as city property taxes, but just like many businesses  
6 have proven in the past, they're just here for the ride. You  
7 see, when it comes time for these people to pay, they're  
8 going to leave or try to force an extension on their  
9 abatements.

10 We've experienced many broken promises time and  
11 again by Orr, Jones Day, and even Mike Duggan, but yet now  
12 they tell us to trust them. They tell us to support their  
13 programs. When they were doing all their dirt, nobody came  
14 to me and asked for my permission. Nobody came and asked me  
15 to sign anything. And to do so now tells me, sir, that  
16 somebody needs my permission. I will never, ever, ever give  
17 my permission for anybody to do harm to me let alone kill me.  
18 Thank you.

19 THE COURT: Thank you, ma'am. Harriett Billingslea.  
20 Harriett Billingslea. Bonnie Bizzell. Bonnie Bizzell.  
21 Leonard Brogdon. Leonard Brogdon. Minnie Brogdon. Harold  
22 Frankin Bryant. Mr. Bryant, you may proceed.

23 MR. BRYANT: Thank you. Good morning. I object to  
24 these proceedings because I feel that this is a violation of  
25 Michigan laws, in particular, the Michigan Constitution,

1 Article I and Article IX. Article I speaks to the people,  
2 the will of the people's vote and having the power there and  
3 not just a particular interest or just a small interest, and  
4 the people did vote to repeal the EM law, but that vote  
5 wasn't honored. Also, the Constitution, Article IX, speaks  
6 to protecting the pensions and meaning that the pensions  
7 won't be diminished in any way, and obviously that's  
8 happening now. Also, there's a violation of the Michigan  
9 Gaming Act, and that speaks to the swaps deal as it's called.  
10 To me I believe that the casino revenues are misused, and I  
11 don't see how an investigation won't be -- you know, come  
12 about to really see what happened with that because it went  
13 from a conservative fixed rate -- interest rate in order to  
14 invest into the bonds to -- it shifted to a risky variable  
15 rate, and my question is who authorized that. And whoever it  
16 is is the one that should really be held responsible. It's  
17 not the city workers that did that and made that decision.  
18 And if that's the case, the deal will be illegal, and to me  
19 the city wouldn't owe anything. In fact, \$300 million plus  
20 might go back to the city. That's it. Thank you, your  
21 Honor.

22 THE COURT: Thank you, sir. Eileen Burns. Eileen  
23 Burns. James Capizzo -- or I'm sorry -- James Capizzo.  
24 Denise or Thomas Cattron.

25 MR. CATTRON: Good morning, your Honor.

1 THE COURT: Good morning, sir. You may proceed.

2 MR. CATTRON: Thank you.

3 THE COURT: Is Denise here? Does she wish to speak?

4 MR. CATTRON: Denise is here. She's disabled, and  
5 she -- our viewpoints on this matter are parallel --

6 THE COURT: Okay.

7 MR. CATTRON: -- so she's --

8 THE COURT: Okay.

9 MR. CATTRON: -- just going to observe.

10 THE COURT: Thank you, sir.

11 MR. CATTRON: I started work with the city as a co-  
12 op and then as a student intern, but then I was finally hired  
13 in -- under the CETA program, which is Comprehensive  
14 Employment and Training Act. It was a law by then President  
15 Nixon, and it funded part of our wages during that time  
16 period for a couple years. Basically, the rights that we had  
17 at that time were hospitalization, medical, death benefit,  
18 pension, annuity, optical and dental, et cetera, but now it  
19 appears that these legal proceedings that we're facing now  
20 are having a disparative impact on those underemployed and  
21 unemployed CETA participants who started their careers with  
22 the city in the mid-'70s. They were primarily low income and  
23 minority, and these appear to be the target group of the  
24 clawback adjustments because of the date range of the period  
25 being 2003 to 2013, and I believe that that selection is

1 unfair and discriminates against that group.

2 I also retired from the Detroit Department of  
3 Transportation, and as the city and as well as the state  
4 receiving federal grants under the Federal Transit  
5 Administration, they have a law, 49 U.S.C., Section  
6 5333(b) (2) (A), that basically says that if an entity accepts  
7 these grants, then they are obligated to preserve the rights,  
8 privileges, and benefits, including continuation of pension  
9 benefits and rights for those employees.

10 THE COURT: Can you give me that citation again?

11 MR. CATTRON: That citation is 49 U.S.C., Section  
12 5333(b) (2) (A) .

13 THE COURT: Thank you.

14 MR. CATTRON: Yes, sir.

15 THE COURT: We'll have a look at that.

16 MR. CATTRON: Please. I would appreciate that.

17 And, again, that's formed by -- MDOT as well as the City of  
18 Detroit are bound by those terms. And I did send e-mails to  
19 some of the court-appointed representatives, but I didn't get  
20 a response. Okay.

21 My third point was that the city -- I received W-2's  
22 and 1099-R's from the city as an employee and then later as a  
23 retiree. My retirement, which is my pension and annuity  
24 benefits, have a different tax ID number than my normal  
25 wages, which, in my opinion, the city is a separate legal

1 entity than the entity that pays retirees.

2 THE COURT: Um-hmm.

3 MR. CATTRON: As such, I don't necessarily believe  
4 that we are creditors of the city because the city does not  
5 identify to the IRS that they're making payments directly to  
6 us. Again, I do understand and respect your decision on the  
7 state Constitution issue, but I'd just like to bring to the  
8 Court's attention that --

9 THE COURT: Your time is up. Do you need one more  
10 minute?

11 MR. CATTRON: -- yes, I do, please -- that the U of  
12 M Ann Arbor case -- in that ruling from the Sixth Circuit  
13 appeals, they basically said that in that case the lower  
14 court had no authority to set aside the Michigan laws.

15 And quickly I would just like to say that with the  
16 clawback, the city guaranteed a floor of 7.9 percent on the  
17 annuity and a bonus if it earned more, but in the actual  
18 pension booklet it says that that can be paid either by  
19 employee contributions or contributions from the system, and  
20 in the book the system is talking about the entire Retirement  
21 System, so I disagree with the statements from the debtor  
22 that say that there may have been something, you know,  
23 fraudulent done in terms of those payments.

24 THE COURT: What page of the book is that?

25 MR. CATTRON: I believe that's on page 15, and there



1 are different revisions of this book, so just because it has  
2 a green cover doesn't mean it's from the same era.

3 THE COURT: Do you mind if we make a copy of that  
4 page and then give it back to you?

5 MR. CATTRON: No, I don't. Actually, I brought you  
6 a copy.

7 THE COURT: Oh, all right. Even better. Thank you.  
8 You can just hand that up to us. No. No, sir. You can keep  
9 the book. I'll accept your representation that that's a copy  
10 of it.

11 MR. CATTRON: Okay.

12 THE COURT: And your time is up, sir.

13 MR. CATTRON: Okay. Thank you very much.

14 THE COURT: Thank you. And thank you for the  
15 citation and for this as well. Next we have Gisele Caver or  
16 Caver. How is your name pronounced?

17 MS. CAVER: Gisele Caver.

18 THE COURT: You may proceed.

19 MS. CAVER: Good morning, sir. As stated, my name  
20 is Gisele Caver. I'm a retired Detroit police sergeant.  
21 Being a police officer, sir, was what I chose to do. In the  
22 early '70s when my older brother graduated from the Police  
23 Academy, there was a female officer receiving an award when  
24 she went to London to study, and that was Mary Jarrett. And  
25 I just graduated from high school, and I said, "I can do

1 that." And I decided then I wanted to be a police officer,  
2 and I joined the department in 1975, came in when Coleman  
3 Young was starting with affirmative action trying to get  
4 minorities. And it was difficult at times being in a scout  
5 car with an officer that would not speak to you or walking a  
6 beat with an officer that did not want to work with a female,  
7 but I stuck with it because that's what I wanted to do. And  
8 I kept on until I became a sergeant and came back to  
9 supervise some of those officers that refused to talk to me  
10 when I was a rookie because this is what I wanted to do.

11 My last couple years on the police department was  
12 difficult because I was diagnosed with systemic sarcoidosis,  
13 a disease that has no cure. The department didn't know what  
14 to do with me because they didn't know what the disease was  
15 about, and early on there was not a lot of research on the  
16 disease, so I had to come to work sick. I had to come to  
17 work in pain. I was taking steroids in order to control the  
18 disease, and then I was on pain medications and went through  
19 an early menopause, so I was one crazy lady, but I wanted to  
20 keep my job. So now that I've been retired since 2000 and  
21 I'm considered disabled, to take away my insurance -- and I  
22 have to buy insurance on the marketplace. My insurance is  
23 higher because most of my doctors are specialists, and they  
24 are much more expensive than the regular doctors. In March  
25 when I went to get my insulin, it was \$650 for two months. I

1 can't afford that on my pension. So I can't speak to you  
2 about legal precedents and all those things, but I can tell  
3 you being a police officer is what I wanted to do. That was  
4 my choice in life. And to take away my pension and my  
5 medical, I want to be able to live these last few years of my  
6 life because there's no cure for my disease, and I can't do  
7 it. And I would hope you would take this into consideration  
8 that my life is at stake because I can't afford the  
9 insurance. They can't cure my disease, but they can make me  
10 comfortable these last few years, and I hope that you would  
11 take that into consideration. I do apologize for being  
12 emotional, but this is my life.

13 THE COURT: Thank you, ma'am. Next is Ronald Clegg.

14 MR. CLEGG: Good morning.

15 THE COURT: Good morning, sir. You may proceed.  
16 You may proceed.

17 MR. CLEGG: I worked for the Water and the Sewage  
18 Department at the wastewater treatment plant as an OSHA  
19 certified general industry specialist and a head sewage plant  
20 operator my last 15 out of 30 years. I felt compelled to  
21 write to you because I have been under a lot of stress  
22 lately, and I really don't think anyone has heard us or me.  
23 I started at the plant as a sewage plant attendant. After  
24 working a few years, there was some kind of money issue, and  
25 they decided to cut our pay by ten percent and end the

1 overtime in the operations and maintenance department. A few  
2 years later it happened again. This pay cutting and stopping  
3 overtime got to be a regular thing every few years. It  
4 seemed to us workers that every time the City of -- city or  
5 the department got into trouble, they would take it out on  
6 the employees instead of the people that made the poor  
7 decisions. We could have helped them. Everyone that had a  
8 position or a job knew at least one way to make his job  
9 better and more cost-effective, but they never wanted to hear  
10 from us or our suggestions were never taken, but they would  
11 cut our pay by ten percent and raise our medical costs.

12 I retired in 2012. I was not ready to go, but I  
13 could no longer get anything done or accomplished at work. I  
14 was looking forward to a reasonable pension and good health  
15 benefits the rest of my days. Now here they come again. I  
16 no longer work for them, and they still want me and others  
17 like me to pay for their mistakes. Taking my healthcare was  
18 not enough. Now they want to take back my pension that I  
19 earned for 30 years. Thank you.

20 THE COURT: Thank you, sir. Jo Ann Cooper.

21 MS. COOPER: Good morning, Judge.

22 THE COURT: And you may proceed, Ms. Cooper.

23 MS. COOPER: Okay. I worked at the Detroit Public  
24 Library for 30 years. I retired in 1997. Never was there a  
25 time that I was led to believe that in the future that the

1 state government could take away my pension or my healthcare,  
2 never. I am an American citizen. I work. I pay my taxes,  
3 those that are required for me to pay. I live within the  
4 City of Detroit on the east side. There's a lot of decay in  
5 that area. There's a lot of blight. I am a homeowner, been  
6 there for 40 years. I have never wanted to leave Detroit.  
7 I've always been here since I was eight years old.

8 I do not believe that the City of Detroit is broke.  
9 I have no proof of it. I do not believe they're broke.  
10 There has been a lot of lies over the years about the economy  
11 in Detroit and the finances. There are too many people that  
12 are paid to oversee the financial stability of this city.  
13 The City Council is one. We have auditors. We have  
14 bookkeepers. Someone should have discovered discrepancies  
15 and delinquent accounts ten, fifteen, and twenty years ago.  
16 As a retiree -- I did clerical work -- my pension is small.  
17 I'm 70 years old. I should not have to at this time in my  
18 life worry about a handout in the future, welfare. And at  
19 the rate that this state is going, it could easily become a  
20 welfare state, and workers in this city, we earned our  
21 compensation we worked for, and it should not be taken away  
22 from us. And, Judge, I really hope that you -- I know you  
23 know who's to take care of our books and the finances. I  
24 wish you would look deeper to make sure that no other  
25 corruption has been done and people are hoarding our dollars.

1 We need it. I need mine. Thank you.

2 THE COURT: Thank you, ma'am. Ronald Danowski.  
3 Ronald Danowski. Lucinda J. Darrah. Lucinda Darrah. Eric  
4 Davis. Eric Davis. Willie Davis. Lewis M. Dickens, III.  
5 Rita Dickerson. You may proceed.

6 MS. DICKERSON: Your Honor, I am a City of Detroit  
7 retiree, and last year this time I was diagnosed with  
8 lymphoma cancer. And I underwent many MRI's, CAT scans, all  
9 types of medical procedures, biopsies, and finally I ended up  
10 taking chemotherapy. And for me personally, it was horrific.  
11 It was so bad that I literally wanted to die rather than to  
12 continue with the chemotherapy. And it's sad to me today to  
13 stand before you and to feel that I dodged a bullet by having  
14 the cancer last year and not having it this year because of  
15 the cuts in our medical care. Our deductible has quadrupled.  
16 Our maximum out-of-pocket has doubled. Of course, my pension  
17 is going to be cut because of the recoupment. And in regards  
18 to the recoupment, your Honor, I would request that you order  
19 that all of the people that are being asked to return an  
20 alleged amount of money to the city, that we be given  
21 documentation of that amount. We were given -- I know in my  
22 case I was given an amount that I owe -- an alleged amount  
23 that I owe, how much would be taken out every month, and  
24 according to my computation, sir, that amount would be paid  
25 off in 11 years, but I was given documentation that I would

1 be paying that for the rest of my life. I would request that  
2 you order that we be given the amount of money we had in our  
3 accounts every one of those ten years, the interest that was  
4 given to us every one of those ten years, so that we can  
5 check the figures that were given to us. We need that, your  
6 Honor.

7           Also, I object that the pension that General  
8 Retirement System retirees are being offered is substantially  
9 less than another class has been offered. I paid into the  
10 Social Security system for approximately 45 years. I had  
11 money taken out of my check all of those years, and I helped  
12 to support the Medicare, Social Security system all of those  
13 years. And to be told that I am going to be given less of a  
14 pension than another class is like a slap in the face when  
15 the other class did receive all of their money. They didn't  
16 have money taken out of their paycheck, and that money could  
17 be used for whatever they wanted to use that money for. They  
18 could have saved it, invested it. And I do want to state  
19 that I'm not saying that anything should be taken away from  
20 the other class, but I'm saying that we should be offered the  
21 same, if not more of a pension than the other class because  
22 our pensions generally are one-half of what the other class  
23 receives.

24           I also object, sir, that -- your Honor, that we were  
25 asked to vote on this plan before the appeal. It would seem

1 to me that the appeal would have reached a verdict and then  
2 we would vote on it. We would find out the results of the  
3 appeal and then be asked to vote, if necessary. Thank you,  
4 your Honor.

5 THE COURT: Thank you. Sandra Evans. Sandra Evans.  
6 Jamie Fields.

7 MR. FIELDS: May it please the Court, your Honor,  
8 Jamie Fields. I'm a retired Detroit police officer. I have  
9 two issues I would --

10 THE COURT: Let me tell you, sir, that I have found  
11 the paperwork that you have submitted particularly articulate  
12 and thoughtful and well-researched, and I want to thank you  
13 for that.

14 MR. FIELDS: Thank you, your Honor.

15 THE COURT: I need you to lift up that microphone so  
16 it's pointing right at you.

17 MR. FIELDS: I have two issues that I'd like to  
18 address to the Court today. The first issue is under the  
19 best interest test. Under the best interest test, the city  
20 has an obligation to show that retirees would receive better  
21 treatment under the plan than otherwise they would receive  
22 outside the plan. In this case, outside the plan retirees  
23 could have state law remedies which include Article IX,  
24 Section 24, of the Michigan Constitution, enforcing that.

25 Now, the counterargument could be, well, even if we



1 were successful, the city doesn't have any money. However,  
2 if you look at the legislative history of Article IX, Section  
3 24, and the attorney general's opinion, Frank Kelley --

4 THE COURT: I have to interrupt you again and ask  
5 you one more time to move that microphone right pointed at  
6 you --

7 MR. FIELDS: Okay.

8 THE COURT: -- because the people in the other  
9 room --

10 MR. FIELDS: All right.

11 THE COURT: -- are having a hard time hearing you.

12 MR. FIELDS: Attorney General Frank Kelley and the  
13 legislative history shows that in the event that the city did  
14 not pay pensions to retirees, they would have a claim against  
15 the assets of the city, and they could force a sale.

16 Another argument that could be raised against that  
17 would be that in Bankruptcy Court the other creditors could  
18 ask for equitable distribution of that money. However, since  
19 the pension plan -- since the city is paying zero money  
20 toward the unfunded liability, even an equitable distribution  
21 of the proceeds from any asset sales would yield ten to  
22 fifteen percent -- recovery would yield more than the grand  
23 bargain would yield to the pension system.

24 There's been much made about the unfunded liability,  
25 but what the city's actuarial did, they took a snapshot in

1 time, and an unfunded liability is not intrinsically wrong.  
2 An unfunded liability is basically like having a mortgage, a  
3 house. If you own the house for \$200,000, you have a  
4 \$120,000 mortgage, that's \$120,000 unfunded liability. As  
5 long as you have revenue and you can continue working it, you  
6 have 30 years to pay off that. Same thing with pensions.  
7 It's not a problem.

8           The other issue I want to raise is the city  
9 improperly combined classes, unimpaired creditors with  
10 impaired creditors in Class 10, and one of the fundamental  
11 rules of bankruptcy is that only impaired creditors should  
12 have the right to vote because they have skin in the game  
13 basically. And in Class 10, 40 percent of Class 10 is made  
14 up of what's called old plan retirees. Old plan retirees are  
15 people who do not get any COLA in a traditional sense. They  
16 get COLA based on raises that active police and fire fighters  
17 get. Active police and fire fighters have not had a raise  
18 since 2004. In fact, they've taken a cut since 2008. So  
19 even if the assumed wage inflation of the plan is true and  
20 the promises are kept, active employees aren't going to be  
21 back to their 2008 wages until 2018. Therefore, retirees --  
22 old plan retirees would not be eligible for any type of wage  
23 increase in their pensions until 2019.

24           Now, I know some courts have broadly construed  
25 impairment to be nominal or the barest impairment, but the

1 city is really overreaching because there's no authority for  
2 this type of speculative or hypothetical impairment that the  
3 city has allowed 40 percent of the voters to vote for. And  
4 with that I thank your Honor for your patience.

5 THE COURT: Thank you, sir. Next is Fabris  
6 Fiorenzo.

7 MR. FIORENZO: Good morning, your Honor.

8 THE COURT: You may proceed.

9 MR. FIORENZO: First I want to thank the Court for  
10 the opportunity to voice my objections and concerns regarding  
11 the proposed plan of adjustment. I also wish to take this  
12 time to thank all the people who worked hard to help the City  
13 of Detroit retirees, and, finally, I want to thank the State  
14 of Michigan and the corporations and the individuals who  
15 provided financial support so that the drastic pension  
16 reductions would be somewhat mitigated.

17 In May of 2014, the court-appointed Retiree  
18 Committee and their legal advisor, Dentons, held an  
19 informational meeting to inform and explain the plan of  
20 adjustment. Unfortunately, this meeting failed to address my  
21 many concerns. Therefore, I filed my objection with the  
22 Court. Subsequently, in June the City of Detroit Pension  
23 Board held another informational meeting on this matter. I  
24 found this presentation to be more effective. I was made  
25 aware that they had their own accountants, actuaries, lawyers

1 review the situation. Unless there was some deception  
2 somewhere, I am convinced they did a good job and conditions  
3 are as described to us. Alternative A, the plan of  
4 adjustment, appears to be the best of the available options  
5 put forth. However, I don't believe all of the other  
6 responsible parties have done their share. I don't think the  
7 federal government is doing enough to assist with this  
8 problem. It is my belief that the economic policies of the  
9 federal government played an important role in Detroit's  
10 current situation. Further, they were able to assist the  
11 American automakers. Why can't they provide assistance to  
12 help restore our pensions? The State of Michigan is  
13 contributing 195 million. The loss of state revenue sharing  
14 to Detroit over the last ten years has been estimated to be  
15 over 700 million. Our pension reductions are estimated to be  
16 200 to \$300 million. I think the state should do more.

17           And what is Detroit's contribution? As far as I can  
18 tell, they are not contributing anything. They get to start  
19 off with a clean slate. I think we all want to see Detroit  
20 do well, but what happens if five, ten, twenty years down the  
21 road Detroit is doing very well? It's a thriving community,  
22 population growth, businesses and homeowners are paying their  
23 taxes and water bills. The city is exercising good fiscal  
24 policy. What do the pensioners get? Nothing. I think that  
25 if Detroit recovers, which I hope it does, and does well, the

1 pensioners should receive some compensation for their forced  
2 contribution.

3           When we agree to Alternative A of the plan of  
4 adjustment, we also agree to terminate the existing legal  
5 appeals or initiate new ones. Why is that? Obviously there  
6 will be some cost savings in the litigation, but why not find  
7 out the answers? It has been repeatedly emphasized to us  
8 that there's no money, and even if we should win the appeals,  
9 which, again, was repeatedly emphasized is highly unlikely,  
10 there is no money, and the state will not be liable despite  
11 the Constitutional provision, so let the appeals go through.  
12 If there's no deception and everything has been above board,  
13 then allowing the appeals to proceed will add closure and  
14 acceptance to the entire situation.

15           I hope that the Court would carefully consider all  
16 the concerns and objections that have been presented here  
17 today, and, further, may it be endowed with the wisdom of  
18 Solomon when it deliberates and makes its decision. Thank  
19 you again for the opportunity to voice my objections.

20           THE COURT: Thank you, sir. Gerald F. Fischer.  
21 Jesse Florence, Sr.

22           MR. FLORENCE: Good morning, your Honor.

23           THE COURT: Good morning. You may proceed, sir.

24           MR. FLORENCE: Yes, sir. Your Honor, I'm a retiree  
25 from the City of Detroit. I worked for the Department of

1 Transportation for 36 years driving a bus. I can recall many  
2 days that I went to work even though I might not have felt  
3 like it because I knew that I had a pension and healthcare  
4 coming when I retired. I know that some sacrifices have to  
5 be made, but I never thought I would be struggling to get  
6 healthcare and my benefits, reductions in pensions.

7 My wife and I used to pay \$152 per month for  
8 healthcare coverage. When our city-provided healthcare  
9 insurance was eliminated March 1st, 2014, we were forced to  
10 seek out my own healthcare. It went from \$152 to \$1,026 per  
11 month. Now I have to make an adjustment and try to come up  
12 with some money somewhere else. It's not including the high  
13 cost of higher copays for physicians' visits nor necessary  
14 medications for medical conditions. This is devastating as  
15 we have other obligations, food, utilities, car insurance,  
16 property taxes, charge cards and just to name a few. Most  
17 seniors are taxpaying citizens who will be forced to find  
18 affordable housing if they lose their homes or face  
19 relocation because of the high price to live in Detroit.

20 Recently my daughter just graduated from college and  
21 is contemplating returning to graduate school. Who will  
22 assist her if we aren't able to do so? I have always prided  
23 myself on supporting my children in their endeavors up until  
24 now. I have fear that I wouldn't be able to do so. I humbly  
25 request that you give the best financial consideration

1 possible for me and other pensioners to live the life that we  
2 worked so hard for. Thank you, your Honor, for your time,  
3 and that's going to be it, your Honor.

4 THE COURT: Thank you, sir. Paula Ford. Paula  
5 Ford. Gerald Galazka.

6 MR. GALAZKA: Good morning, your Honor. My name is  
7 Gerry Galazka. I prepared a document because I'm not a good  
8 public speaker. I'm a general retiree for the City of  
9 Detroit and worked for the Recreation Department for 35  
10 years. It is unclear whether approval of the grand bargain  
11 will avert the drastic and disastrous cuts to pensions  
12 proposed in the plan of adjustment. Nonetheless, the  
13 fundamental objection still exists and need to be addressed.  
14 The big question is whether a state that guarantees  
15 protection in the Constitution -- in its Constitution can  
16 diminish and avert its financial obligations through  
17 bankruptcy. It is my belief that diminishing pension  
18 benefits is not only illegal but morally reprehensible.  
19 Individuals that worked 30 years or more for the city had  
20 very little to do with the mismanagement, corruption, and  
21 investment decisions made by city officials and trustees that  
22 managed taxpayer dollars and pension funds. City employees  
23 had very little control of how city finances and pension  
24 funds were managed. Employees contributed to their annuity  
25 and retirement accounts and relied on city officials and

1 trustees to invest and manage those funds responsibly and  
2 within the law. They did their jobs day-in, day-out, with  
3 the promise that they would have adequate resources to live  
4 out their lives without being a burden to society, their  
5 families, as old age and health problems make life challenges  
6 just a bit more complicated. As unpopular and politically  
7 damaging it may be to an administration, taxpayers may be  
8 saddled with the responsibility to secure those pensions.  
9 The question remains who pays the unfunded pension debt. If  
10 a state can't solve its responsibility to protect pensions  
11 through bankruptcy, then Article IX, Section 24, of the  
12 Michigan Constitution is meaningless.

13 My second objection to the plan is that pensioners  
14 are treated unequally. The police and fire retirees are  
15 treated more favorably than the general retirees. I believe  
16 that the pension obligations except perhaps the annuity  
17 savings fund recoupment should be the same and the sacrifice  
18 shared equally. For any proposed plan to be confirmed, it  
19 must be fair and equitable. In the future, it may be better  
20 to merge both systems into one so that employees are treated  
21 equally and reduce costs to the city. This plan places undue  
22 hardship on general retirees.

23 Last, the plan does not have a mechanism in place to  
24 insure that the city will not be back in five years asking  
25 for more concessions from retirees. The city and the



1 trustees of the pension funds have a fiduciary responsibility  
2 to make sure that pension funds are properly managed and  
3 funded. Unlike private pensions, there are no external  
4 controls for the governance of public pensions by either the  
5 state or the federal government. There needs to be a  
6 mechanism that audits the financial conditions of public  
7 pensions in order to insure that they are financially sound  
8 and do not engage in risky investments that put retiree  
9 benefits in jeopardy. If there is no oversight of pension  
10 funds or city finances, then we can be in the same situation  
11 in a very short time after the next economic disaster.

12 In closing, retirees had very little control over  
13 their pension funds and how the city was managed. I believe  
14 that the state has an obligation to uphold the Constitution  
15 and make pensioners whole. Thank you for your time.

16 THE COURT: Thank you, sir. Deborah Graham. You  
17 may proceed.

18 MS. GRAHAM: Good morning, your Honor. My name is  
19 Deborah Graham. I retired as assistant program coordinator  
20 and project manager with the City of Detroit, but most of all  
21 I'd like to be recognized as a working class citizen. I am a  
22 member of the hard working citizens that historically  
23 provided an economic backbone to the city and continue to  
24 provide an economic backbone to the city. The aged working  
25 class population in Detroit has become vulnerable to become

1 not only a city with the largest bankruptcy in history but  
2 the largest age discrimination population at risk of facing  
3 poverty based on bankruptcy lifespan projections. This is  
4 humane. We have been stripped of healthcare, a humane  
5 burial, and heavily taxed. By the end of this bankruptcy, I  
6 project that our lifespan -- we will receive 50 percent or  
7 less of the pension that we worked for for over 30 years, and  
8 this will not only affect us, but it's going to affect the  
9 city and the state because we will be social welfare  
10 citizens.

11 But I would like to say also that last month  
12 Governor Rick Snyder stated that there are four elements that  
13 will improve the quality of life for Michigan older  
14 population. He said the four areas that needed to be  
15 improved are living a healthy lifestyle, remaining active and  
16 engaged, insuring financial security during retirement, and  
17 retaining independence and choice. I have tried to do this  
18 to my best of my abilities, and we would like for you to help  
19 us to continue this in Detroit and in Michigan for retirees.  
20 Your judgment in securing government pension would spare us  
21 hardship for wrongful transgression as we grow older as an  
22 aging population to a quality of life. I hope that you  
23 restore our benefits and you'll establish written compliance  
24 and not just a slide show of what projections should be. I  
25 am in finance, so I know that the Sarbanes-Oxley laws could

1 have been applied to this as a lesson learned, and it was  
2 not. We would ask for written compliance, protection, and  
3 regulations with this new bankruptcy so that we would not  
4 repeat this again. We would like to be remembered not as the  
5 largest bankrupt city but as an aged population that was able  
6 to secure a quality of life with respect and dignity for our  
7 contribution to what it's like to be a working class citizen  
8 in America. Thank you for your time.

9 THE COURT: Thank you. Kristen A. Hamel.

10 UNIDENTIFIED SPEAKER: You skipped one. You skipped  
11 one.

12 THE COURT: I'm sorry.

13 UNIDENTIFIED SPEAKER: You skipped one.

14 THE COURT: I skipped one?

15 UNIDENTIFIED SPEAKER: You skipped one.

16 THE COURT: Oh, I did. I did. I'm sorry. Andrea  
17 Hackett. I'm sorry. My apologies to you, ma'am. You may  
18 proceed.

19 MS. HACKETT: Okay, your Honor. Good morning. And  
20 I just want to take this time, too, to thank you, your Honor,  
21 for the opportunity to express some of my objections before  
22 this Court today, so I will start with saying that I object  
23 to the plan because it violates state and federal  
24 constitutional guarantees involving due process, equal  
25 protection to me, and the breach of the statute that supports

1 that pensions cannot be diminished or impaired. I object  
2 because the plan is putting the cart before the horse by  
3 rushing us to vote in a voting process to agree to diminish  
4 and impair our pensions before the decision from the appeals  
5 court can be heard on whether or not the pensions can be  
6 diminished or impaired, you know, because, you know, of the  
7 state statute. We know in the state statute that it says not  
8 even in bankruptcy can it be diminished or impaired, so I  
9 object to the plan also because the governor has breached the  
10 oath in which he swore to uphold the state Constitution.  
11 He's also withheld revenue, important revenue that could have  
12 prevented this bankruptcy. He rejected any of the plans from  
13 the unions that might have -- and others that might have  
14 prevented this bankruptcy and have been a solution maybe. He  
15 appointed the EM against the will of the people to diminish  
16 and impair their pensions, which is the primary source of  
17 their income for these retirees. They have to contribute to  
18 the community, too, and they may not even be able to -- you  
19 know, to contribute to the community if they die first  
20 because they don't have healthcare or they have a lack of  
21 healthcare, so this is a humanity -- humanitarian issue that  
22 we're facing here.

23 I object because this is a very well-planned to me  
24 corporate hostile takeover of Detroit, and I would advise  
25 people to read the Confessions of the Economic Hitman from

1 John Perkins because that's an example of corporations  
2 exploiting and taking over a city or even a country they can  
3 do this, yet I also -- I also advise people to look at the  
4 video of "Inside Job" because that will tell them what the  
5 banks can do to destroy a community and could destroy a  
6 country as well. And they also need to study the situation  
7 going on in Greece, probably still going on in Greece, you  
8 know. It's a model of austerity, and it's the government  
9 policy to destroy the pension of the people even in Greece.  
10 This model -- this plan of adjustment seems to be modeled off  
11 of the same principles of Greece, so I object because the  
12 main purpose also -- also object because the main purpose of  
13 this bankruptcy is to breach the city's agreement with its  
14 employees and retirees and to shed the pension obligations  
15 and get this Court and this judge to set a precedent so that  
16 other cities can do the same. Never mind that such actions  
17 will destroy this economy and the tax base and the revenues  
18 across this country, and the question is who's going to  
19 contribute to this economy when 99.99 percent of the citizens  
20 are forced into poverty and onto the welfare rolls? I object  
21 because the plan has no guarantee that it will make Detroit  
22 solvent. It only guarantees that certain people will make a  
23 huge profit in the reconstruction efforts, and it also  
24 guarantees gentrification and genocide of a certain class of  
25 people.

1 I would like to also offer the Court and the judge  
2 an exhibit here of some of the struggle situations if I may.

3 THE COURT: What is this, ma'am?

4 MS. HACKETT: This is a rally on the 18th of the  
5 people in the community because they don't trust that the  
6 Court will be on their side basically, and they don't have  
7 any recourse in their jobs and in the government, so they're  
8 out on July 18th at one o'clock at Hart's Plaza. And they  
9 have listed all of the damages here that they see is caused  
10 by the banks and the corporations that the government is  
11 allowing.

12 THE COURT: I'll look at it, sure.

13 MS. HACKETT: Okay. So it's -- okay. It would be  
14 helpful.

15 THE COURT: Can you hand that to my staff, please?

16 MS. HACKETT: It's at one o'clock at Hart's Plaza.

17 THE COURT: Ma'am, can you step that forward to my  
18 staff?

19 MS. HACKETT: I think I can. Okay. If I may  
20 continue --

21 THE COURT: Yes.

22 MS. HACKETT: Like I said, I am a City of Detroit  
23 current employee, and I have worked for the city for 26  
24 years. I've earned my pension and my annuity savings, but  
25 the plan wants to claw back so-called ill-gotten gains and

1 turn me into an indentured servant for the rest of my life to  
2 pay back what it claims I owe, yet the plan imposes no  
3 clawback for ill-gotten gains of the banks and their  
4 predatory lending practices that destroyed the city,  
5 tremendously destroyed the city. If we look at the big  
6 picture of what I have given you in that flier, this is what  
7 I'm -- this is what I'm speaking of.

8 THE COURT: Now, ma'am, your time is up. Do you  
9 need one more minute?

10 MS. HACKETT: Yes, sir. Could I have one more  
11 minute?

12 THE COURT: Yes.

13 MS. HACKETT: Thank you, sir. I object to the plan  
14 because there are damages I should have a right to sue for in  
15 court for the -- because it's an abuse of power that isn't  
16 heard in this plan involving gambling my pension on Wall  
17 Street speculation like a common crap shoot. They're making  
18 me have to pay for the damages. I object to this plan  
19 because the voting process tramples on my federal right to  
20 vote without stress and duress, and I object to the conflict  
21 of interest issues involving this voting process because the  
22 firm counting the votes is affiliate of Jones Day, who's a  
23 corporation affiliated with Kevyn Orr, who wants a yes vote,  
24 so any yes vote is questionable when there's no independent  
25 referee to monitor the results somewhere in California, so,

1 you know, I object to the plan because the bankruptcy agent,  
2 Kevyn Orr, has slandered our character when he publicly  
3 described us as lazy, stupid, happy, and rich, which is the  
4 total opposite of what we are, and he made the comment that  
5 he has no problem slitting our throats and letting us bleed  
6 out. This is not the behavior of bargaining in good faith.

7 THE COURT: All right, ma'am. Let me ask you to  
8 wrap up, please.

9 MS. HACKETT: All right. So I object to the plan  
10 because it promotes super exploitation of the workers, and it  
11 is the capitalist hostile abuse of power by the governor, the  
12 banks, and the corporations similar to the model that's in  
13 the economic -- the Confessions of an Economic Hitman, and I  
14 object because it parallels austerity measures imposed on the  
15 public workers in Greece by the officialdom, the banks, and  
16 the corporations. It's just the same game with different  
17 players.

18 THE COURT: Thank you, ma'am. Okay. Now Kristen  
19 Hamel.

20 MS. HAMEL: Is there water available, your Honor?

21 THE COURT: I believe so.

22 THE CLERK: Ma'am --

23 MS. HAMEL: Thank you.

24 THE COURT: And you may proceed.

25 MS. HAMEL: Good morning, your Honor. My name is



1 Kristen Hamel. I'm a Detroit resident and homeowner. In  
2 recent weeks, Detroiters have been experiencing the inhuman  
3 austerity agenda of Governor Rick Snyder and emergency  
4 dictator Kevyn Orr. Thousands of families have had their  
5 water cut off, and tens of thousands more face imminent  
6 shutoffs if a mere \$150 is owed. The situation is so  
7 outrageous that a United Nations commission has condemned  
8 Detroit's water shutoffs as a violation of international  
9 human rights. Freedom Friday marches starting at the Water  
10 Department Building have been going on for weeks because no  
11 one should have to face forced deprivation of water, the most  
12 basic necessity of life and health. The Detroit Free Press  
13 reported Orr's office calling the water shutoffs, quote, "a  
14 necessary part of Detroit's restructuring," end quote. The  
15 real agenda is to make the water department more attractive  
16 for privatization to union busters like Veolia Corporation  
17 known worldwide for its crimes against humanity, especially  
18 against the Palestinian people. While the poorest Detroiters  
19 have their water cut off for owing \$150, JPMoranChase, UBS,  
20 Loop Financial, and Morgan Stanley were paid \$537 million in  
21 termination fees on interest rate swaps out of one billion  
22 dollar bonds -- billion dollars in bonds issued from 2010 to  
23 2013, bonds that were earmarked to fund repairs of the water  
24 infrastructure system, not line the pockets of these four  
25 banks. Orr, while cutting off water and raising water rates,

1 has not taken one step to recover this \$537 million giveaway  
2 to the banks. Orr and Kenneth Buckfire were also ready to  
3 hand over hundreds of millions to Bank of America and UBS on  
4 the interest rate swaps associated with the pension  
5 obligation certificates. Because of community outcry against  
6 these swindles, they were forced by this Court on two  
7 occasions to go back to the negotiating table. As you have  
8 stated on prior occasions, Judge Rhodes, the buck stops with  
9 you in these bankruptcy proceedings. It is up to you to stop  
10 the national and international disgrace and humanitarian  
11 disaster of mass water shutoffs in the City of Detroit. You  
12 must immediately enjoin these shutoffs by placing a  
13 moratorium on them today and ordering Orr to implement a real  
14 water affordability plan for the poorest Detroiters. And it  
15 is up to you to order Orr and his cronies to stop shilling  
16 for the banks that list Jones -- that Jones Day lists as its  
17 clients and to recoup and recover the \$537 million paid to  
18 the banks out of water bonds meant for the people. Chase and  
19 UBS have a record of criminal fraud regarding swaps like  
20 these all across the U.S. Go after the banks, not the poor,  
21 because in Detroit, the city most devastated by years of bank  
22 fraud and racist predatory lending, the people are paying the  
23 banks rather than the other way around. This is not  
24 equitable.

25           This entire bankruptcy has also been a looting

1 frenzy by Jones Day, Conway MacKenzie, Buckfire & Associates,  
2 and even Dentons, the so-called Retiree Committee lawyers.  
3 These attorneys and consultants took \$130 million from  
4 Detroiters while services deteriorate for those of us who  
5 actually live in the city. The cause of justice demands the  
6 funds stolen by the banks from the people of Detroit be  
7 recouped and returned to our city. Justice demands the plan  
8 of austerity against the workers, residents, and especially  
9 the retirees be denied. The people of Detroit have a long  
10 and proud history of struggle for social and economic  
11 justice, and that struggle will revive no matter the outcome  
12 of this sham bankruptcy. We will fight for our rights to  
13 water, healthcare, education, housing, jobs, living wages, a  
14 decent retirement, and to reclaim our city for the people.  
15 That is the tradition of Detroit, and it will rise up again  
16 because without justice, there can be no peace.

17 THE COURT: Thank you, ma'am. All right. We've  
18 come to the conclusion of our list, but let me ask is there  
19 anyone in the courtroom who expected to be heard today but  
20 whose name I didn't call or whose name I called before they  
21 arrived? Yes, ma'am. What is your name?

22 MS. BEAMON: I'm Patricia Beamon. You called me.

23 THE COURT: Early on. Okay. You can step forward.  
24 And you say you're Patricia Beamon?

25 MS. BEAMON: I am Patricia Beamon, yes.

1 THE COURT: Okay. You may proceed, ma'am.

2 MS. BEAMON: Thank you for allowing me to speak. My  
3 name is Patricia Beamon. I retired from the City of Detroit  
4 Employment and Training Department where I worked over 25  
5 years. Because of funding getting cut, I was transferred to  
6 the Department of Human Services in my last year where I  
7 worked as a supervisor at 2424 West Grand Boulevard  
8 supervising that building. And I'm not here to speak to the  
9 legal side of things because I am not an attorney. I do  
10 believe that we do have legal representation. I felt like I  
11 was called in because you wanted to hear the human side, and  
12 my human side is when I got out of the service in 1971, the  
13 City of Detroit was hiring, and they needed veterans, female  
14 veterans in order to get EEA funding. At the time, I was  
15 pregnant with my daughter. I didn't want to come. They  
16 encouraged me to come anyway because they needed me as a  
17 number, and so I did come. I liked working for the city, so  
18 I -- after I had my baby, I came back and I stayed working  
19 for the city. I did not plan for my son at the age of 12 to  
20 be killed in a car accident. That was not part of my plan.  
21 It was not part of my plan for -- in 1996 for both of my  
22 parents -- my mother to have a heart attack, but being the  
23 kind of family that we were, when the doctor announced that  
24 my mother was not going to make it, my father went home and  
25 had a massive heart attack and died. That was not a part of

1 my plan for my son to die at 12, my parents to die 30 days  
2 apart, and for me, after being married 40 years, to separate  
3 from my husband and have to buy me another house. My house  
4 that I lived in was paid for. Now I'm paying a car note and  
5 a house note. Those were things that were not a part of my  
6 plan, but I worked for the city, retired from the city, put  
7 in all of my time, and I expected to live my retirement out  
8 in full and be paid what I was due. And that is not  
9 happening, and it's not happening based on the fact that  
10 we're unloving. We're just unloving people because the vote  
11 has been cast. People have -- you have already decided --  
12 not you, Judge, because you have the say of how we can handle  
13 these things. We have a set of people who we give more  
14 credence than the other set, and I'm not understanding that  
15 because to me your importance is relative because, Judge, if  
16 you were stranded on the streets and your car broke down and  
17 a doctor showed up, that doctor is not important to you. You  
18 need a mechanic at that particular time, so even though the  
19 doctor has all these credentials and the mechanic only went  
20 to school for 18 months to get that -- the credentials that  
21 they have, you need a mechanic, not a doctor, so your  
22 importance is relative. So for you to say one class of  
23 people is more important than another class, that is just un-  
24 Christian and unethical. And my opposition to all of this is  
25 I think that you need to look at it from the human side and

1 not from the legal side because the legal side I'm having a  
2 hard time distinguishing just from unjust right about now  
3 because of the way things are going. And we're talking about  
4 a city of people where everybody makes up the city, so it's  
5 just an injustice for a group of people to live and wallow in  
6 luxury while you push another group of people into poverty.  
7 Thank you.

8 THE COURT: Thank you. All right. Is there anyone  
9 else who perhaps came in after we started this morning and  
10 who would like to be heard? Ms. Lennox.

11 MS. LENNOX: Let me go back through my notes here a  
12 little bit, your Honor. Okay. First, your Honor, I'd like  
13 to thank you for holding this hearing. I think it's vital  
14 when a municipality is in restructuring to hear -- is that  
15 better?

16 THE COURT: Try pulling it closer to the center --

17 MS. LENNOX: How's this?

18 THE COURT: -- and speak right into it. Okay.

19 MS. LENNOX: Is that better? Okay. Let me start  
20 again. I would like to thank your Honor for holding this  
21 hearing because I do think it's vital when a municipality is  
22 in a restructuring process to hear from the individuals who  
23 are creditors and who will be affected by the real --  
24 affected in real and visceral and clearly painful ways. The  
25 city, the emergency manager, and all those who have been

1 involved in this process recognize the profound effect that  
2 this process has had and will have on employees' and  
3 retirees' lives. That effect cannot be minimized, and,  
4 frankly, it's good to hear directly about those effects today  
5 to be reminded that the city is comprised of people,  
6 employees, retirees that we've heard from today, and 700,000  
7 residents for which we are hoping at the end of this process  
8 to be able to provide better services in a revitalized city.

9 Our plan isn't perfect. It's certainly not all we  
10 wish it could be in terms of providing recoveries to  
11 creditors, but it does reflect the fiscal reality that we  
12 have today, and that stems from over 50 years of neglect and  
13 corruption and decline, much of which we've heard about today  
14 so eloquently. So I know your Honor has read everybody's  
15 papers, and I am not going to get into legal niceties of many  
16 things, but I do want to address a few of the concerns raised  
17 today and maybe clear some of these things up, certain things  
18 up.

19 First, I want to assure Mr. Aleem and Ms. Hackett  
20 and everyone who voted that we did use the ballots that were  
21 approved by this Court and that KCC has various checks and  
22 safeguards in place to make sure that double votes will not  
23 be counted. And they're going to report to this Court on the  
24 process, and they're going to report to this Court on the  
25 voting results, so they will be accountable for what happens.

1 I also want to make clear that KCC is not affiliated, in case  
2 there are any concerns about this, with Mr. Orr or with Jones  
3 Day.

4 We've heard a lot today about pensions,  
5 understandably so, and I am not going to obviously reargue  
6 your Honor's decision made earlier in this case with respect  
7 to the ability to modify pensions. I do want to address just  
8 a couple -- I do want to address a couple of concerns that I  
9 think came out from some of the folks' remarks, in  
10 particular, Mr. Fiorenzo and Mr. Galazka, who made, I think,  
11 some very good points. I want to make it clear --

12 THE COURT: Still having trouble hearing you, so  
13 just let me ask you to project louder.

14 MS. LENNOX: Okay. I want to make it clear with  
15 respect to pensions that the City of Detroit is contributing  
16 to pensions. It is certainly contributing to GRS in the  
17 first ten years, and after 2023 Detroit itself will be  
18 responsible for all pension funding going forward, so I don't  
19 want people to have a misimpression that Detroit is skipping  
20 out on its obligations altogether. It is not.

21 I also do want to let people know in case they  
22 didn't know that restoration of benefits is potentially  
23 possible depending upon the investment performance of the  
24 plans. It is not guaranteed, but it is possible. And one of  
25 the ways we hope to achieve that in the plan -- and I think



1 Mr. Galazka brought this up -- is we do agree that the  
2 pensions have to have better financial oversight in the  
3 future, and, in fact, the state legislation that was recently  
4 passed does provide for a fully independent investment  
5 committee to be making financial investment decisions for  
6 these pension plans going forward so that hopefully mistakes  
7 that were made in the past will not be made in the future,  
8 and hopefully that will help lead toward restoration at some  
9 time in the future.

10 And I do want to point out finally that as part of  
11 the grand bargain, as part of the state contribution, it was  
12 important not only to the city but to the state officials to  
13 make sure that there is an income stabilization fund that is  
14 established in the pensions in the future for cases -- to be  
15 able to address cases of financial hardship for individual  
16 retirees in the future. We do understand the human cost of  
17 this case and what is happening. And while, again, it is not  
18 perfect by any means, we are hoping to ameliorate that hurt  
19 as much as we possibly can, and we are grateful certainly for  
20 our outside funders who will help us do that.

21 So that is all I wanted to say, your Honor, unless  
22 you have further questions for me.

23 THE COURT: I do have a couple of questions for you  
24 based on the objections we heard here today. The first  
25 relates to the annuity savings fund clawback process.

1 MS. LENNOX: Yes, sir.

2 THE COURT: You heard one of our objectors here  
3 today request an accounting of how her particular clawback  
4 amount was calculated.

5 MS. LENNOX: Um-hmm.

6 THE COURT: Has that information been provided to  
7 individuals, or is it readily available to them?

8 MS. LENNOX: Well, I wouldn't say it's -- first of  
9 all, it has not been provided. What has been provided are  
10 the -- as I think the objector indicated, were amounts on the  
11 ballots, so the amounts that were calculated -- and if they  
12 were currently retired, it's translated into a monthly  
13 amount -- were provided, per the Court's order, on the  
14 ballots. The actual data that underlied it and the -- and,  
15 you know, the backup papers for that, if you will, have not  
16 been provided, your Honor.

17 THE COURT: Can they be?

18 MS. LENNOX: I don't see why not. I think they  
19 would have to be -- remember, these -- the General Retirement  
20 System at the end of the day is ultimately responsible for  
21 confirming the exact numbers since they're the ones who  
22 administer the plan, and I think we can certainly work with  
23 them to make sure that when those numbers are provided, we  
24 can provide backup calculations.

25 THE COURT: Can you help us with this question?

1 MS. NEVILLE: Yes, your Honor. We've received --

2 THE COURT: Identify yourself for the record.

3 MS. NEVILLE: I'm Carole Neville from Dentons on  
4 behalf of the Retiree Committee. We've received -- and made  
5 the offer at the town hall meetings to provide that  
6 information. We've received -- I don't know -- maybe several  
7 hundred requests since and supplied the information. It's a  
8 laborious process because pension information has to be  
9 transmitted in a secure way, so you need a request and then a  
10 mail address, and we've been doing that when people wanted  
11 it. The issue really is not that the accounting is  
12 inaccurate, but what has happened here is that the ASF  
13 recoupment is a process that goes on over a person's  
14 lifetime, and that hasn't been clearly enough explained to  
15 people, so it's not just the calculation of the recoupment  
16 amount but how it's amortized.

17 THE COURT: Let me ask you this question. If any  
18 retirees now want that information, how do they go about  
19 getting it?

20 MS. NEVILLE: We can still forward those requests to  
21 our actuary, who will prepare it for people. I don't know  
22 how to get the information --

23 THE COURT: Right, but what does a person do who  
24 wants that information? Do they make a phone call? Do they  
25 send an e-mail? Do they write a letter? What do they do?

1 MS. NEVILLE: Well, they can e-mail me at Dentons,  
2 and I will -- I need their pension number and their address,  
3 and I will forward it on to our actuaries.

4 THE COURT: Okay. And your e-mail is --

5 MS. NEVILLE: It's carole, c-a-r-o-l-e, dot neville,  
6 n-e-v-i-l-l-e, at dentons.com, d-e-n-t-o-n-s. And we've been  
7 doing that for the past two months, your Honor.

8 THE COURT: Is this procedure published anywhere so  
9 that people can have access to it who may not be here now?

10 MS. NEVILLE: Your Honor, it was announced at every  
11 single town hall where we had hundreds of people.

12 THE COURT: Well, and that's wonderful, but there  
13 were thousands of people who weren't there.

14 MS. NEVILLE: I know. I don't think it was  
15 published anywhere.

16 THE COURT: Well, let me ask you to try to be --

17 MS. NEVILLE: I may be wrong. Heather, didn't we --  
18 in the last letter we gave people our hotline address, didn't  
19 we?

20 MS. LENNOX: I think people have general numbers  
21 where they can contact either the city or the Retiree  
22 Committee for general questions, but I don't believe that  
23 this particular process or --

24 THE COURT: Well, I wonder if the emergency manager  
25 would be willing to publish this e-mail address on his

1 website so --

2 MS. LENNOX: Certainly.

3 THE COURT: -- that people can have access to it and  
4 instructions on how to request this information.

5 MS. NEVILLE: Well, then, your Honor, I would --

6 MS. LENNOX: Certainly.

7 MS. NEVILLE: When the emergency manager does that,  
8 I won't give him my personal. I will give him an address  
9 that goes to our hotline. It's answered by a staff so that  
10 it will not be ignored.

11 THE COURT: All right. Whatever works is fine.

12 MS. NEVILLE: Okay.

13 THE COURT: All right. I have one more question for  
14 Ms. Lennox.

15 MS. LENNOX: Yes, sir.

16 THE COURT: I hesitate to bring this up because I'm  
17 reasonably sure that it's probably not within my  
18 jurisdiction, but I'm going to anyway, and it's the issue of  
19 water.

20 MS. LENNOX: Yes, sir.

21 THE COURT: What can you say for the record about  
22 what the emergency manager's or the water department's  
23 program is to terminate services for customers who haven't  
24 paid?

25 MS. LENNOX: I think, your Honor, there's not much I

1 can say because I don't have a lot of personal knowledge  
2 about how the program was developed, what the standards are,  
3 and what the process is that they are using. I do know,  
4 however, just as a general matter, that the department for a  
5 very long time has not been particularly aggressive about  
6 collecting on many delinquencies, and the issue with long-  
7 term repeated delinquencies, of course, is that that causes  
8 the rates to go up for other city residents who are also  
9 having a hard time, struggling paying their bills. So I  
10 think that there has been a -- this has given -- been given a  
11 lot of thought by DWSD management. I do think that there has  
12 been a very long time in developing a process that balances,  
13 to the best of their ability, their need to collect revenues  
14 so that other hard-hit rate payers' rates do not go up while  
15 addressing -- and they are willing to address cases of need.  
16 I believe there's a process for that.

17 THE COURT: Right. I'm going to ask you, if it's at  
18 all possible, to have someone here at this afternoon's  
19 session who can advise the Court and the public about the  
20 specifics of the program.

21 MS. LENNOX: I will endeavor to do that, your Honor.

22 THE COURT: All right. Thank you. All right. And,  
23 once again, I want to thank everyone who took the time to  
24 present your objections to me here today. As when we did  
25 this last fall, I found your presentations articulate and

1 thoughtful, well-considered and articulate and worthy of the  
2 Court's most serious consideration, which I certainly will  
3 give, so thank you, and we'll be in recess at this time.

4 THE CLERK: All rise. Court is in recess.

5 (Recess at 11:03 a.m., until 2:00 p.m.)

6 THE CLERK: All rise. Court is in session. Please  
7 be seated. Case Number 13-53846, City of Detroit, Michigan.

8 MS. LENNOX: Good afternoon, your Honor. For the  
9 record, Heather Lennox of Jones Day on behalf of the city.  
10 Your Honor, if I might, before we begin, you had asked us a  
11 question at the end of this morning's session wanting an  
12 understanding of the DWSD program that's currently in place  
13 regarding water shutoffs. I have with me in the courtroom  
14 today Mr. Darryl Latimer, who is the deputy director and  
15 chief customer service officer of DWSD, and he can explain  
16 the program to you if you'd like, your Honor.

17 THE COURT: Thank you. Mr. Latimer, would you step  
18 forward, please? You're Mr. Latimer?

19 MR. LATIMER: Yes.

20 THE COURT: And what is your position?

21 MR. LATIMER: Deputy director and chief customer  
22 service officer.

23 THE COURT: Okay. What can you tell me about the  
24 water department's program for water shutoffs for customers  
25 who haven't paid their bills?

1           MR. LATIMER: Well, our shutoffs started -- well,  
2 we've always executed shutoffs as a part of delinquent water  
3 bills. We started with a contractor back in last -- in fall  
4 of last year. The contractor started sometime in the end of  
5 August, beginning of September, and that ran through the  
6 middle of December. Once the temperature goes below 32  
7 degrees, the department stopped executing shutoffs because  
8 there's a possibility of a line freezing. We continue to  
9 send out shutoff notices, though, to our customers. We  
10 continued the program at the end of March when the  
11 temperature steadily stayed above 32 degrees, and we started  
12 to execute shutoffs.

13           And keep in mind that our bill is to the resident,  
14 which is the property. We don't bill an individual. We bill  
15 the property. So we're billing the property. We don't know  
16 what individuals or how many individuals are in a property or  
17 if they have affordability issues. And what we're trying to  
18 do is make sure that we're able to control our delinquencies  
19 because we're trying to control the rates in the City of  
20 Detroit for all of our customers. At the same time, those  
21 customers that are having affordability issues, we ask that  
22 they come forward so that we can assist them. We have a  
23 number of programs that will assist customers that have  
24 affordability issues, and if they come forward, we will help  
25 them with State of Michigan, Wayne County, DHS. We have --



1 also, we have a fund called the WAVE fund, which is the Water  
2 Access Volunteer Effort, which is a nonprofit. We also have  
3 THAW, which administer a Detroit residential water assistance  
4 program. And there's some other nonprofits.

5 THE COURT: Well, but hasn't the press reported that  
6 the volume of help that people have demanded is so high that  
7 those resources are not able to accommodate them all?

8 MR. LATIMER: Well, at this point, those resources  
9 still have funding, so we haven't reached that point where  
10 there's no funding available, so those resources are  
11 continuously helping folks, so there's -- that's been put out  
12 in the press, but we haven't exhausted our resources as of  
13 yet.

14 THE COURT: Why is it then, sir, that so many  
15 customers have had their water shut off instead of using  
16 these resources?

17 MR. LATIMER: Well, the issue is those customers  
18 that receive a shutoff notice don't come forward to the  
19 department to let us know that you have an issue. Keep in  
20 mind we're billing the property, so when we bill the  
21 property, we just go out and shut off. We don't know if the  
22 home is vacant. We don't know --

23 THE COURT: So your representation to the Court is  
24 that if people do come forward, there is help available for  
25 them?

1 MR. LATIMER: Yes.

2 THE COURT: And that the only reason people are  
3 having their water shut off is because they don't come  
4 forward and ask for help? That's your representation to the  
5 Court?

6 MR. LATIMER: Correct.

7 THE COURT: Does the department itself have a  
8 program to defer payment of delinquencies or amortize them  
9 over a period of time?

10 MR. LATIMER: Yes. We have --

11 THE COURT: What's that program?

12 MR. LATIMER: Yes. We have a payment plan that  
13 customers that have delinquent bills can go over a payment  
14 plan, and they can go up as long as 36 months. We also have  
15 a budget plan for those customers that have problems with the  
16 fluctuation in their bill because typically in the summer  
17 months your bill is higher than the winter, so we put them on  
18 a budget plan as well.

19 THE COURT: Well, let's talk about the payment plan  
20 because that's the plan for people who have delinquencies;  
21 right?

22 MR. LATIMER: Correct.

23 THE COURT: Is there a minimum initial payment that  
24 people have to make to get into a payment plan with the  
25 department?

1           MR. LATIMER: Typically we ask for a 30-percent  
2 down-payment but we've been very flexible and basically at  
3 most points accepted what a customer has been able to pay.

4           THE COURT: Again, I've seen reports where the  
5 department is not willing to accept less than the 30 percent.  
6 Are those reports wrong?

7           MR. LATIMER: Those reports are not accurate.

8           THE COURT: Can you give the Court some idea of, for  
9 example, the average delinquency that you do see of people  
10 who come in asking for a payment plan?

11          MR. LATIMER: The average delinquent water bill for  
12 our residential customers is \$540.

13          THE COURT: Over what period of time, again,  
14 average, would such a delinquency have accumulated?

15          MR. LATIMER: That average is usually around 90 to  
16 120 days. The typical water bill for an average family is  
17 around \$75 per month, depending on the size of the families,  
18 but that's about average, so two bills amount to about \$150,  
19 and if -- and that's usually over a 60-day period. And if  
20 you exceed that 150 -- if you exceed the 60 days and you're  
21 \$150 and greater, we move towards shutoff, and the reason why  
22 we're doing that is to control those bills.

23          THE COURT: Right, but my question was a slightly  
24 different one. How many months' usage would that \$540  
25 average constitute of nonpayment?

1           MR. LATIMER: That's probably close to about five --  
2 four to five months.

3           THE COURT: Well, it would be 540 divided by 75,  
4 wouldn't it?

5           MR. LATIMER: Give or take. That's just an average.  
6 I live in the City of Detroit. There's two people in my  
7 home. My bill averaged between 42 and \$45 a month.

8           THE COURT: So it might be seven to ten months of  
9 nonpayment?

10          MR. LATIMER: It very well could be.

11          THE COURT: What's your sense of why people don't  
12 pay their water bills?

13          MR. LATIMER: Just the lack of enforcement and the  
14 department's ability -- even though we've always sent out a  
15 shutoff notice, we just haven't shut off a high number of  
16 delinquent accounts.

17          THE COURT: So if the average delinquency is 540 and  
18 if a person put nothing down and just amortized the 540 over  
19 36 months, that's \$15 a month, and they'd be caught up in  
20 three years.

21          MR. LATIMER: That's possible, yes.

22          THE COURT: And the \$15 a month would be lower if  
23 they put something down up front.

24          MR. LATIMER: Correct. And also they're -- keep in  
25 mind that they're to keep up with their current bill moving

1 forward.

2 THE COURT: Right, which is anywhere between 40 or  
3 50 and \$70 a month --

4 MR. LATIMER: Right, depending on the size of --

5 THE COURT: -- depending on usage obviously.

6 MR. LATIMER: Right; right.

7 THE COURT: In the case of a delinquency that is  
8 significantly above this 540 average, do you have any  
9 flexibility in the 36-month amortization period?

10 MR. LATIMER: No. Typically we stay at the 36  
11 months, and we haven't had a lot of cases where we've had to  
12 really deal with those types of issue. I had a customer that  
13 owed about \$5,000. She called me directly. She didn't have  
14 anything for a down-payment and agreed to pay \$150 a month,  
15 and that's what we moved forward with.

16 THE COURT: And however many months that is --

17 MR. LATIMER: Yes.

18 THE COURT: What's the city doing about commercial  
19 customers?

20 MR. LATIMER: Well, commercial customers, we're  
21 sending out shutoffs. We have to execute shutoffs a little  
22 different with commercial customers because our regular crews  
23 can't shut off commercial accounts because typically a  
24 commercial account is a larger meter, which may need valves  
25 turned as well as they may have multiple connections, and

1 also the customers -- those commercial accounts have a unique  
2 situation other than what the residential accounts have.  
3 Their main gripe and some of the things that they're -- what  
4 they're behind and they're delinquent on is storm water  
5 drainage, so in a lot of cases, you may see a commercial  
6 account with a very high bill and the water is already off,  
7 and we're continuously billing them for storm water drainage.  
8 And at some point, we will move that to their property taxes.

9 THE COURT: Okay. Well, I'm sure it has not escaped  
10 your attention, two things, first, that your shutoff program,  
11 especially your residential shutoff program, has created not  
12 only a lot of anger in the city and also a lot of hardship,  
13 right --

14 MR. LATIMER: Yes.

15 THE COURT: -- not to mention, second, a lot of bad  
16 publicity for the city --

17 MR. LATIMER: Correct.

18 THE COURT: -- that it doesn't need right now.

19 MR. LATIMER: Yes.

20 THE COURT: I wonder if there's more you and your  
21 department can be doing to make the assistance programs,  
22 including your own payment plan program, available and  
23 accessible to customers so that they can avoid having their  
24 water shut off. People need water obviously.

25 MR. LATIMER: Yes.

1 THE COURT: What more can be done?

2 MR. LATIMER: Well, we continue to reach out to a  
3 number of the various groups, activist groups, and I've went  
4 to a lot of meetings with these various groups, and we're  
5 doing mail inserts in our bills.

6 THE COURT: You're doing what?

7 MR. LATIMER: Mail inserts in our bills that let you  
8 know what we offer, how to contact us, and also we're doing  
9 different things with our website as well as, you know, in  
10 the media we're trying to use that as a platform to let our  
11 customers know to come forward so we can assist you.

12 THE COURT: You say it's subcontractors that  
13 actually go to do the physical shutoff?

14 MR. LATIMER: Yeah. We have a contractor that we  
15 have doing the physical shutoff.

16 THE COURT: Do you have the staffing and the  
17 personnel to actually send staff or contractors, for that  
18 matter, to people's homes before the shutoff is going to be  
19 executed and encourage them to sign up for a payment plan or  
20 encourage them to go get assistance from one of the sources  
21 that you identified a few minutes ago?

22 MR. LATIMER: No. The department doesn't have the  
23 staff to do that right now. The department is in a  
24 transition of optimizing the department, and we're decreasing  
25 our staff and changing the way that we do things so that we

1 can decrease our operating costs to help control our rates.

2 THE COURT: Well, you understand that those cost  
3 reductions come at a price --

4 MR. LATIMER: Yes.

5 THE COURT: -- the price we agreed on a moment  
6 ago --

7 MR. LATIMER: Yes.

8 THE COURT: -- the two prices we agreed on a moment  
9 ago. The city is very angry and people aren't getting water  
10 they need, and the city is getting this reputation not only  
11 here in this country but around the world; right?

12 MR. LATIMER: Yes.

13 THE COURT: If your report is accurate -- and I have  
14 no reason to doubt it whatsoever, and I don't want to appear  
15 to doubt it -- it sounds to me like the problem is informing  
16 and encouraging people about what their options are to  
17 maintain their water service.

18 MR. LATIMER: Correct.

19 THE COURT: Well, if that's what it is, that's a  
20 solvable problem.

21 MR. LATIMER: Yes.

22 THE COURT: And I encourage you to work within your  
23 department and with Mr. Orr to come up with a much more  
24 aggressive plan to solve that problem.

25 MR. LATIMER: Yes.



1 THE COURT: Are you willing to do that?

2 MR. LATIMER: Yes. I've talked to the mayor's  
3 office, and we're looking at putting on a fair for the  
4 citizens so that they can come forward and we can --

5 THE COURT: You're looking at what, sir?

6 MR. LATIMER: We're looking at putting on a -- what  
7 we call a water fair, and so -- also, we're putting together  
8 a flier that will be given out to a number of the churches in  
9 the area so that we can come together and make this fair  
10 happen.

11 THE COURT: Well, I'll just comment for whatever  
12 it's worth to you that it seems to me that there's much more  
13 you can do than just that, and I encourage you to work with  
14 community leaders to come up with a whole list of initiatives  
15 that can be effective at solving this problem. In fact, I  
16 have to say to you I'm feeling the need to ask you to come  
17 back --

18 MR. LATIMER: Okay.

19 THE COURT: -- as early as next Monday when I have  
20 another status conference in this case at ten o'clock --

21 MR. LATIMER: Okay.

22 THE COURT: -- and report back to me on what kinds  
23 of initiatives your department is planning to undertake to  
24 solve this problem because it's a problem that's affecting  
25 this bankruptcy. It is.

1 MR. LATIMER: Okay.

2 THE COURT: You heard it here this morning -- or you  
3 didn't hear it, but I heard it here this morning, and I've  
4 heard it, you know, in the press and otherwise. Are you  
5 willing to do that, sir?

6 MR. LATIMER: Yes.

7 THE COURT: Ms. Lennox, is there someone in your  
8 office that can help to coordinate to make sure that this  
9 happens as well?

10 MS. LENNOX: Yes, your Honor.

11 THE COURT: All right. I'll see you again next  
12 Monday at ten. Thank you for your time today and for your  
13 report, sir.

14 MR. LATIMER: You're welcome.

15 MS. LENNOX: Your Honor, may Mr. Latimer be excused  
16 from the rest of the hearing?

17 THE COURT: Yes, yes. You're all set, sir. Thank  
18 you. Okay. So let's continue with our hearing today. As I  
19 did this morning, I want to begin by thanking each and every  
20 one of you for taking the time to come to court today to  
21 present to me your objections and concerns about the city's  
22 plan of adjustment. I'll be going down my list, which is in  
23 alphabetical order, and then, as you know, each of you will  
24 have five minutes to present your objections to the Court.  
25 So let's begin, and we'll begin with Cynthia Haskin. Cynthia

1 Haskin. Okay. Step forward, please. Chris, again, that  
2 microphone is off center. Yeah. It will help us if you  
3 speak directly into that microphone. And you're Ms. Haskin?

4 MS. HASKIN: Yes.

5 THE COURT: And you may proceed.

6 MS. HASKIN: Okay. I retired as a 911 operator for  
7 the City of Detroit after 30 years and 6 months' service.  
8 Throughout my 30 years several times I seriously thought  
9 about resigning to pursue employment with Wayne County, the  
10 State of Michigan, and even private -- the private sector  
11 because their pay scale was higher, but I hung in there with  
12 the city knowing and believing there was a light at the end  
13 of the tunnel. The main and major point that kept me with  
14 the City of Detroit was the knowledge and written  
15 understanding that after 30 years I would be able to retire  
16 and was guaranteed a set pension amount and full benefits.  
17 Throughout every contract that was ratified and signed, this  
18 was a stated and documented fact. So for 30-some years, this  
19 is what I believed and was told upon signing my retirement  
20 papers. We worked faithfully through pay cuts, days off  
21 without pay, and previous layoffs under the Young  
22 administration. My plight is no different than any of the  
23 other thousands of retirees.

24 The decision of the City of Detroit and the  
25 emergency manager has already put a tremendous effect on my

1 quality of life and future as with many other retirees.  
2 Firstly, by the elimination of medical benefits, especially  
3 for retirees who have not reached the age of 65 and not being  
4 eligible for Medicare, we must pay our own medical premiums.  
5 Previously under the city group plan, our co-pay deductible  
6 was \$250, and out-of-pocket premium for single family for  
7 Blue Cross Blue Shield Community Blue was approximately  
8 \$85 -- excuse me -- per check. Now under the current no  
9 benefit plan, we are no longer covered under a group policy,  
10 so if you select the same coverage, number one, you must  
11 apply for a subsidy with the Affordable Care Act with a co-  
12 pay deductible of \$4,000 being met, and your monthly out-of-  
13 pocket premium is \$600, which includes a subsidy received  
14 from the federal government. The very least insurance you  
15 can purchase is an HMO, and the deductible is 2,000 with a  
16 monthly out-of-pocket payment of \$257. If you have relocated  
17 outside the state, an HMO would not provide the services  
18 needed. Everyone knows that the older you get, the more  
19 medical problems and concerns you may have.

20           When the first news of the pending bankruptcy and  
21 the threat of the pension being decreased, I remember seeing  
22 a newscaster on TV reporting the retirees must bite the  
23 bullet. Someone asked what was one to do to survive. It was  
24 suggested, number one, that they could apply for a reverse  
25 mortgage on their homes, refinance mortgages, and pay off

1 debt. Well, has anyone who lives in Detroit tried to apply  
2 for a reverse mortgage? Due to the foreclosure in the city,  
3 you will not have enough -- you probably will not have enough  
4 equity to obtain one, and with one certain reverse mortgage  
5 company, the home must be appraised and valued at over -- at  
6 least \$75,000 to even qualify. That alone leaves many  
7 retired homeowners in the City of Detroit ineligible.

8           There's one major concern, question, and objection  
9 that I have that has been presented that I just cannot  
10 understand. How can the emergency manager approve and  
11 authorize five-percent pay increases for current elected and  
12 appointed officials and five-percent pay increases for other  
13 current employees and police officers and future increases  
14 and then suggest retirees take a reduction in their  
15 retirement check, yet the city is under bankruptcy?

16           As everyone knows, the majority of the retirees are  
17 unable to supplement their income due to health issues. The  
18 majority are unable to stand, sit, or walk due to arthritis,  
19 diabetes, or just the aging process. And personally, from  
20 working years of double shifts 16 hours a day of midnight,  
21 afternoon, and day shifts in unfit chairs and work areas  
22 under extremely stressful situations, many suffer sleep  
23 apnea, mental fatigue, and mental instability. Where is the  
24 justice for this? We have worked and struggled 30-plus years  
25 to stay off public assistance and finally making it to the

1 so-called golden ages. Is the struggle to continue?

2 And in conclusion, we were promised if we worked we  
3 would be provided a certain pension and benefits. We are  
4 suffering great detriment currently with the loss of benefits  
5 and will suffer more with the loss of any income. We  
6 provided the service, and with the current increases of  
7 income for current employees, we deserve our full pension at  
8 the least. Thank you.

9 THE COURT: Thank you, ma'am. Next is Dan  
10 Headapohl. Mr. Headapohl. Yvonne Holliday Roberts. Ms.  
11 Roberts. Beverly Holman. Is Beverly Holman here?

12 MS. HOLMAN: Yes, sir.

13 THE COURT: You may proceed.

14 MS. HOLMAN: Thank you. Good afternoon, Judge  
15 Rhodes. I thank you for the opportunity of allowing me to  
16 come before this Court today to express my opinions in  
17 regards to the plan of adjustment as proposed by the City of  
18 Detroit. I've done this on more than one occasion, and I  
19 would just like to reiterate a couple of points that I feel  
20 are important. Thousands of creditors, including the City of  
21 Detroit retirees -- I want to use this occasion to do that  
22 and express why I feel so strongly opposed to the acceptance  
23 of this plan. I object to any plan that forced me to make a  
24 choice in selections of Option A or B on a ballot when, in  
25 actuality, there are no options at all. The plan consists

1 of -- the plans that was presented to us are inconclusive  
2 information. It is not apparent that all of the elements  
3 that will impact my pension benefits have yet to be  
4 disclosed. Every day a new component is revealed.

5           No relevant information is communicated with the  
6 retirees. The only clear element that I can see is that the  
7 entity appointed to represent the interests of the GRS  
8 retirees, Class 11, is urging the pension beneficiaries to  
9 accept a plan that doesn't include all the facts. This is  
10 coercive and blackmail. The clawback element of this plan is  
11 totally offensive. What is the total dollar amount of excess  
12 interest paid to the retirees? What is exactly my individual  
13 payback dollar amount? We retirees were told that the dollar  
14 amount issued on the ballot was an estimate, so now we  
15 receive information that retirees will have the option to pay  
16 back already paid interest in a lump sum, so what is  
17 accurate? Is this yet again an attempt to misdirect or  
18 provide misleading information to GRS retirees? The fact  
19 that anyone, regardless of their appointed status, can  
20 arbitrarily take back my earned pension dollars is more than  
21 a tough pill to swallow. It's tantamount to eating an  
22 elephant in one bite, and I can't do that.

23           I agree and concur with all of the comments that was  
24 made this morning. I listened to them all. I applaud my  
25 fellow retirees in terms of letting this Court understand

1 what the personal impact will have in their lives with the  
2 proposed deduction in retirees' benefit.

3           Finally, a friend told me to just present the  
4 numbers and leave the emotions out of the statement. It's  
5 impossible to separate the two. The threat of my pension  
6 being reduced is all personal to me, and, therefore, I'm  
7 emotional about it. The dollar reduction in my pension would  
8 drastically alter my quality of life as well as many more  
9 retirees. The loss of pension dollars will potentially  
10 create a new classification of the elderly poor not only in  
11 the City of Detroit but across the country. No one seemingly  
12 cares except the retirees themselves. After 30-plus years of  
13 service to the City of Detroit, I could conceivably be  
14 eligible for public assistance for housing, medical care, and  
15 food. I did not earn an undergraduate degree, a master's  
16 degree, and complete post-graduate studies to end up in  
17 poverty. I did not work 34 service years as a public service  
18 to the City of Detroit to end up on welfare in my elderly  
19 years. I urge you, Judge Rhodes, to reject this plan of  
20 adjustment. Thank you.

21           THE COURT: Thank you. Next is Irma Industrious.

22           MS. INDUSTRIOUS: Good afternoon, your Honor.  
23 Thanks for the opportunity. I basically have four basic  
24 arguments. My first argument is in regards to the annuity  
25 clawback provision. It's my position that it violates the



1 Bankruptcy Code, Section -- 11 U.S.C., Section 547, which is  
2 a 90-day preference provision. Under that provision, you can  
3 only claw back 90 days prior to the bankruptcy petition. It  
4 also violates the statute of limitations, which is a three-  
5 year statute of limitations, if you're going to argue unjust  
6 enrichment. And also I feel that it has no basis in law, and  
7 there has been no authority put forward in regards to the  
8 clawback provision.

9           Second argument, I feel that it must conform to  
10 state law, which is required under 11 U.S.C., Section 943,  
11 and the state law that is in question right now is the  
12 Michigan Constitution, which says that you cannot impair any  
13 accrued financial benefits of a pension.

14           My third argument in regards to assets, I feel that  
15 the city has failed to liquidate major assets because there  
16 are several real estates out there that have not even been  
17 liquidated, and also the city is disposing of assets for less  
18 than the appraised value, for example, the Detroit Institute  
19 of Arts, which has been appraised for approximately \$4.6  
20 billion, and we are trying to dispose of it for \$800 million.

21           And lastly, in applying the pension return of 6.75  
22 percent, I feel that that is unjustified because there has  
23 been no basis -- and I think it's arbitrary and capricious  
24 that has been put forward in regards to why we have a 6.75-  
25 percent interest rate. If we look at the stock market, the

1 stock market did about 30 percent last year, and so why are  
2 we using a 6.75-percent interest rate?

3 And basically my last argument in regards to that is  
4 that I hope that everyone gets their due process in regards  
5 to putting forward the arguments before this Court, and I  
6 thank you, your Honor.

7 THE COURT: Thank you. Bernice Jenkins. Ms.  
8 Jenkins. Felicia Jones.

9 MS. JONES: Good morning, your Honor, and thank you  
10 for allowing me to speak.

11 THE COURT: You're welcome. You may proceed.

12 MS. JONES: I worked for the City of Detroit for  
13 30-1/2 years for the City of Detroit Police Department as a  
14 civilian, a senior identification technician, in an  
15 inadequate, antiquated office. I got a lot of injuries, six  
16 knee surgeries, an elbow surgery, a torn rotator cuff. My  
17 objection to this whole thing is that I signed up to work 30  
18 years and come out with a full-time pension, a lifetime  
19 pension and healthcare. I'm all messed up. Where am I  
20 going? And then after I retire, I had to have another  
21 reconstructive surgery on my knee, and then a drunk driver  
22 hits me and gives me more injuries. Where am I going? I  
23 can't go anywhere and ask for FMLA. They'll be like, "You  
24 can just get out of here."

25 What happened to us being protected under the

1 Michigan state Constitution? What happened to that? I found  
2 out later because most of my relatives work for the federal  
3 government that their pensions are insured so that they'll  
4 never have to worry about anything like this. I will not be  
5 able to live without my money, and the way I signed up to go  
6 out, I left a 25-percent survivor benefit to my daughter.  
7 They've been taking that money out since I left 4-1-10. It's  
8 my understanding that once you do that, you cannot go back  
9 and change. Meanwhile, they have changed their plan of  
10 adjustment. I should be able to change the way I went out  
11 and get my 25 percent out that they've been taking back if  
12 they're going to cut this money. I didn't prepare anything.  
13 I'm just speaking from the heart. Okay.

14 THE COURT: Thank you.

15 MS. JONES: Thank you very much.

16 THE COURT: Next is Rita Jordan. Ms. Jordan.  
17 Gerald Kent.

18 MR. KENT: Good afternoon. My name is Gerald P.  
19 Kent. Thank you to your Honor and this Court for this  
20 opportunity to speak. I am a retired Michigan Act 54  
21 building inspector, and I finished my career with the  
22 Building Safety, Engineering and Environmental Department in  
23 December 2011. Please consider this. I have a personal  
24 collection of a few items acquired over 40 years. I like  
25 them, but should I be able to -- unable to meet my

1 obligations for any reason, my collection must be sacrificed.  
2 If I did not, I would be derided as selfish and a poor  
3 provider for my dependents. Ownership of artifacts is a good  
4 thing but a luxury and not a necessity of life. Yes, I'm  
5 speaking of the city interest in the works of the Detroit  
6 Institute of Arts. Selling these may be distasteful or  
7 difficult, but owning art is not a core city function.

8           When I took the city offer to work, it came with  
9 good promises of keeping me financially stable in my  
10 retirement years. The tradeoff was that I took modest pay.  
11 The clerk typists took much less than modest. I call it  
12 workfare wages. They earned every penny of their promised  
13 retirement package. So did I. Even the Michigan legislature  
14 long ago agreed that we earned our money and placed it into  
15 Michigan's Constitution that the governor was sworn to uphold  
16 in clear and unmistakable language. I believe in my heart of  
17 hearts that the clawback recoupment attempt on our earned  
18 interest from the annuity is a dishonorable personally poorly  
19 considered and truly unnecessary means of settling the city  
20 debt. My personal budget cannot never exactly be called  
21 over-funded, but I crafted my retirement in good faith with  
22 hard-fought good credit and enough money to keep me off the  
23 public dole. I should say this. I will take public help if  
24 I must. We retirees almost to a person are a group not of  
25 cash flush individuals or mutual funds that put dollars into

1 a hat in the hopes of a return while possibly insuring our  
2 investments against expected risk of loss through credit  
3 default swaps and other finance industry devices, and the  
4 city encouraged us to utilize the annuity. Rather, we  
5 invested our lives into our jobs, and many of us put a  
6 significant part of our pay into the annuity. We put off  
7 collecting our earned interest until the designated time.  
8 That was the deal. That was the promise. And we kept our  
9 promise to serve.

10 Consider this also. There were many unpaid accounts  
11 receivable in my department, and the collection effort was  
12 abysmally poor, if at all. I do not know what the current  
13 practices are, but I suspect things have not significantly  
14 changed. The collection of property and income taxes has  
15 been equally neglected if news reports are to be believed.  
16 City services were never a charity. If the city interest in  
17 the DIA cannot be sold, I urge this Court to reject the plans  
18 proposed by the city, the emergency manager, and the governor  
19 and legislature and send everyone back to the drawing board  
20 with the clear instruction for the city to collect its due  
21 bills and taxes even if it means selling the overdue accounts  
22 to private agencies.

23 Also and importantly, all outside provider and  
24 material contracts with the city must be reviewed for abuse,  
25 corruption, and efficiency -- inefficiency, all of them.

1 There will be another consequence of this so-called grand  
2 bargain, if approved, which could affect millions of workers  
3 nationwide and maybe internationally. The precedent that may  
4 be set here will likely be viewed as a legal crack in  
5 longstanding principles and practices resulting in efforts to  
6 escape promises and obligations to retirees. City and state  
7 accountants everywhere would love to shed their legacy costs.  
8 It makes their books nice and tidy. Too bad. Life is not  
9 nice and tidy. I am not a legacy cost. I am a former loyal  
10 city servant that has compelled equitably through the  
11 authority of the city codes the improvement of thousands upon  
12 thousands of occupied houses and businesses and the  
13 preparation and oversight of demolition of about 5,000  
14 dangerous structures and the disposal of many tons of tires  
15 and debris. The easy quick way out of this mess through the  
16 so-called grand bargain is the wrong one, your Honor, and it  
17 is wrought with injustice and inequity. I implore you and  
18 this Court do not approve this hasty deal. The city is the  
19 responsible party, not the retirees, for why this case is  
20 here today. Thank you very much.

21 THE COURT: Thank you, sir. Renee Lee. Renee Lee.  
22 Diane Leipprandt or Leipprandt. Richardo C. Lewandowski

23 MR. LEWANDOWSKI: Thank you, your Honor.

24 THE COURT: Go ahead, sir.

25 MR. LEWANDOWSKI: My name is Richard, not Richardo.

1 THE COURT: Oh, Richard. Okay.

2 MR. LEWANDOWSKI: Okay.

3 THE COURT: We'll change that in our records.

4 MR. LEWANDOWSKI: Thank you. My concern is  
5 concerning the City of Detroit Water Department and the  
6 spinoff of the water department from the City of Detroit.  
7 The ordinance 71203 says monies in the water department shall  
8 remain separate. Monies paid by the water department on  
9 behalf of employees, wages, benefits, and retirements, the  
10 amount based on years employed by the water department, the  
11 ordinance says they shall remain separate. There is a high  
12 probability the water department will become a separate  
13 entity from the City of Detroit resulting in that entity  
14 receiving a disproportionate amount of funds from the General  
15 Retirement System. This reduces the economy of scale of the  
16 return of system investment portfolio. I'll give an example.  
17 If somebody works for the City of Detroit for 20 years in the  
18 general city and then for the last ten years works for the  
19 City of Detroit Water Department and retires, in that new  
20 water department entity, he will receive full retirement from  
21 that entity. The monies paying his full retirement comes  
22 from the General Retirement System of which the first 20  
23 years were not paid by the water department, so why should  
24 that new entity receive those funds? Simultaneously, I  
25 worked for the City of Detroit Water Department 26 years.

1 The last 14 years was in Building and Safety. I earned a  
2 full pension from the water department. I could not collect  
3 it because the city rules said you can't work for another  
4 city department while you are retired. That doesn't diminish  
5 the fact that I earned a full pension. I'm requesting that  
6 when the City of Detroit Water Department is separated from  
7 the city that funds are paid to the new entity and a portion  
8 of the pension earned be on a percentage pro rata basis based  
9 on the years of service in the water department. I believe  
10 this is fair. It doesn't cost any party any money, and it is  
11 equitable. Thank you.

12 THE COURT: Thank you, sir. Daniel Lopez. Mr.  
13 Lopez. Paula Lytle. David L Malhalab.

14 MR. MALHALAB: Good afternoon, your Honor. I have a  
15 prepared text, and I would like it read into the record if I  
16 don't have time to finish along with a letter dated May 15,  
17 2014, addressed to you that got me here, but, first of all, I  
18 digress. Being in this courtroom brings back bad memories of  
19 trying to get Judge Cook to do his job of keeping the  
20 Department of Justice consent decrees on track. Millions and  
21 millions of dollars have been wasted because Judge Cook has  
22 not done his job of keeping it on track and of keeping the  
23 responsible parties working through a --

24 THE COURT: Let me ask you to focus on --

25 MR. MALHALAB: -- quick conclusion.



1           THE COURT: -- on what your objection to this plan  
2 is.

3           Mr. MALHALAB: That millions of dollars are being  
4 wasted by Judge Cook that should be used by the Detroit  
5 taxpayers to hire police officers and to pay pensions. I  
6 wish that you would hold Judge Cook in contempt because  
7 you've abrogated a Michigan Constitution, and Judge Cook  
8 should be held accountable, and he should be fined every day  
9 until the consent decrees are finished. Currently Detroit is  
10 paying \$40,000 a month for these DOJ consent decrees. That's  
11 one police officer a month that is not being hired because of  
12 him and his failure to get these consent decrees completed,  
13 so I urge you to look into that matter and to resolve that  
14 matter as quickly as possible in your capacity or with Kevyn  
15 Orr's powers.

16           There are three areas of the restructuring of  
17 Detroit that I am concerned with and should be addressed. We  
18 hear about the restructuring that's going to make Detroit  
19 better after the program is allowed to go forward. One of  
20 the glaring problems is that Detroit has too many council  
21 members for 650,000 residents. EMF Orr and you should  
22 immediately reduce council members by two to four. The  
23 council is bloated and not efficient. And the council has  
24 just got a five-percent raise, and not one member has  
25 rejected the raise while city workers have lost much more,

1 especially in medical healthcare benefits, and the -- and  
2 some retirees have lost 4.5 percent of their pension checks,  
3 and we have all lost our medical benefits. This is not fair,  
4 right, or just. Where is the shared sacrifice, a good faith  
5 effort to understand how hard it is for retirees?

6           Public safety is said to be the most important issue  
7 in Detroit. We have a new police chief who is cleaning up  
8 the mess from past bad and corrupt police chiefs that has  
9 helped leave Detroit unsafe. The Detroit Police Department  
10 will have to hire new police officers because it is severely  
11 understaffed. Indeed, the lack of police officers is one  
12 reason Detroit is still unsafe no matter what Chief Craig  
13 does or says. EMF Orr and you must order the city to raise  
14 hiring standards for new police officers. A GED requirement  
15 is too low a standard for a 21st century police department.  
16 Detroit needs to have a two- or four-year college requirement  
17 and/or military experience requirement and a quality  
18 psychological evaluation system for new officers and for all  
19 officers. And EMF Orr and you must impose a starting salary  
20 for new officers that will attract applicants to Detroit and  
21 retain officers that are sacrificing every day to protect  
22 Detroit residents. A proposed \$14 pay rate -- I'm sorry --  
23 I've heard it's now been raised to 17 -- for new officers and  
24 with an eight-percent deduction for pensions will not attract  
25 and retain the best and brightest police officers. Indeed,

1 some officers may have to go on welfare to keep their jobs.  
2 Funding must be found from the federal and state government  
3 to pay for this most basic service, including homeland  
4 security, because we are the most important border city in  
5 this country. You should order Judge Julian Cook to end the  
6 DOJ consent decrees that has dragged on for 11 years and have  
7 cost Detroit millions of dollars and should have ended long  
8 ago. If any Detroit -- if any police department had been  
9 thoroughly bad and corrupt, it should not have taken this  
10 long to correct the problems of that department or Detroit.

11 I am also upset because the news media continues to  
12 make false statements that we do not -- we did not lose  
13 anything from our pensions or pension checks.

14 THE COURT: Sir, your time has expired. Do you want  
15 me to consider what you have there in writing?

16 MR. MALHALAB: Yes, please.

17 THE COURT: All right. Would you hand that to my  
18 clerk?

19 MR. MALHALAB: Yes.

20 THE COURT: Thank you.

21 MR. MALHALAB: Thank you. I hope that you will look  
22 into the Department of Justice decree matter.

23 THE COURT: Thank you, sir. Janine McCallum.  
24 Herman McCord. Cecily McLellan.

25 MS. MCLELLAN: Thank you, your Honor, for allowing

1 me this opportunity. May I ask a question?

2 THE COURT: Yes.

3 MS. MCLELLAN: Is this testimony going to be on the  
4 official record because I notice we're not being sworn in or  
5 anything?

6 THE COURT: It is part of the record of this case,  
7 yes. You can see my court recorder here is making an audio  
8 recording, which will be a part of the record of the case and  
9 which will be made available to the public tonight on the  
10 Internet.

11 MS. MCLELLAN: Could we get a transcript of it then?

12 THE COURT: There will be a transcript if someone  
13 orders a transcript, which I have to tell you I think all of  
14 our hearings have been made into transcripts, so it's quite  
15 likely.

16 MS. MCLELLAN: All right. Thank you. As a 61-year-  
17 old lifelong resident and retiree of the City of Detroit, I  
18 am fearful that the State of Michigan, the governor-appointed  
19 emergency manager and the Court place in low value the people  
20 of the City of Detroit, particularly the city's employees and  
21 retirees. I have lived now for years and many Detroiters  
22 report city service, high taxes, outsourcing or privatization  
23 of jobs, union busting, substandard chartered schools, now  
24 the EAA, while more and more visitors enjoy the benefit of  
25 city amenities. It appears that retirees are being

1 scapegoated. The great recession of 2008 was not caused by  
2 workers but a reckless banking practices, derivatives, swaps,  
3 bundling high-risk debt. Mayor Kilpatrick was praised for  
4 his pension obligation certificate deal he made with Wall  
5 Street in 2005 while the opposing council members were  
6 criticized, and Sean Werdlow, the former CFO got a promotion  
7 to corporate America. Wallace Turbeville of Demos, a former  
8 Goldman Sachs vice president, provided an excellent report on  
9 recommendations that could have assisted, at minimum, in  
10 reducing the impact of bankruptcy on the residents. City  
11 employees and retirees -- excuse me. Some recommendations  
12 include that the state pay -- actual revenue sharing is now  
13 estimated at 730 million, Detroit eliminate the -- eliminate  
14 or place a moratorium on tax abatement, sue the banks for the  
15 fraudulent high-risk financial deals. The November report  
16 provided many excellent recommendation and could have  
17 prevented the looting of Detroit assets.

18 I further object to the unprecedented bankruptcy for  
19 the following reason. The Michigan Constitution has been  
20 stated many times protects our pension, Section IX -- Article  
21 IX, Section 24. But what is -- I find to be almost ironic is  
22 that PA 436 and Section 11, 12, and 13, this unconstitutional  
23 and, in my opinion, very racially biased law also respects  
24 the obligations to pension in federal law related to  
25 contractual contracts with local governments. Section 11

1 requires that the EM fully comply with Public Employment  
2 Retirement System Investment Act. Section 13, and I quote,  
3 "This section does not authorize the impairment of invested  
4 pension benefits." The emergency manager on the statewide  
5 repeal law formerly known as PA 4 does not have the authority  
6 to diminish or impair pensions. I further contend that the  
7 healthcare is a benefit included in the pensions and that the  
8 egregious elimination of healthcare for under 65 years of age  
9 in March of 2014 is unconstitutional -- unconstitutional. The  
10 Illinois case upheld the health benefit and protected -- and  
11 was protected under bankruptcy. This case should be  
12 considered before any VEBA is approved by the Court.

13 The bankruptcy incorporates federal and grant-funded  
14 programs. I was an employee of totally 100-percent grant-  
15 funded program. The grant paid for your wages, your salary,  
16 your benefits. An enterprise like water, those receipts come  
17 from the billing. It is difficult for me to understand why  
18 the bankruptcy -- there will be any allowance of recoupment  
19 of funds that the city never paid. These funds come from the  
20 federal government, and I don't think there should be a  
21 clawback.

22 The witness list of the Court is  
23 disproportionately -- disproportionately includes elected  
24 officials lacking historical knowledge of Detroit's financial  
25 issues. For example, Jo Ann Watson, Barbara Rose-Collins,

1 and former council members and attorney Sharon McPhail  
2 opposed the 2005 Bank of America/UBS swap deal, which many  
3 have blamed as a major cause of this bankruptcy. None have  
4 been called for valuable testimony. Former council member  
5 Watson has filed an official objection to this bankruptcy.

6 The voting procedure is riddled with errors. Over  
7 3,200 -- and that's approximately ten percent -- of the  
8 ballots were calculated incorrectly for the annuity savings  
9 fund.

10 THE COURT: Ma'am, your time has expired. Do you  
11 need one more minute?

12 MS. MCLELLAN: I would appreciate it.

13 THE COURT: Go ahead, please.

14 MS. MCLELLAN: And I would like to take that one  
15 minute --

16 THE COURT: Can you do me one more favor? Take a  
17 few inches back from the microphone for me. There you go.  
18 That's good. Thank you.

19 MS. MCLELLAN: I feel today I'm in a very unique  
20 situation because I was a former administrator for the  
21 Detroit Residential Water Assistance Program. I had no idea  
22 that the issue would be in court today. And I was with that  
23 program from inception in 2008 until our department was  
24 closed. And we were housed out of the water site over on the  
25 east side on McNichols. This program was provided \$5

1 million, which was out of penalties and late fees. Pretty  
2 much the same people that needed the program were the folks  
3 that were paying the penalties and late fees. It is --

4 THE COURT: When was that closed?

5 MS. MCLELLAN: It was closed officially in April of  
6 2012, and they had no program up until recently -- I think  
7 about six months ago we saw that they were going to give that  
8 DRWAP contract to THAW, so this city has been without a  
9 program to assist low income persons throughout that period,  
10 but since that time -- I mean the water department -- and I  
11 know from directly talking to the employees that manage the  
12 program inside -- has not offered any assistance, and they  
13 require one-third. The average bill is probably --

14 THE COURT: You say they require it?

15 MS. MCLELLAN: They are requiring one-third.  
16 There's no exception.

17 THE COURT: That's not what Mr. Latimer told me.

18 MS. MCLELLAN: I worked in that program for five  
19 years with the water assistance program, and when you get on  
20 a payment plan, they require one-third. Okay? There's no  
21 exceptions made. And I think that can be checked out.

22 THE COURT: How would I check that out?

23 MS. MCLELLAN: Because those plans are written.  
24 They are filed. They're inside their computer. All you have  
25 to do is just ask for a summary of those plans. Okay. So I



1 mean you can see those plans. You can also see whether or  
2 not there are any plans that allow less than 30 percent.

3 THE COURT: Um-hmm.

4 MS. MCLELLAN: But I think, more importantly, is  
5 that --

6 THE COURT: So someone who has a \$540 average  
7 delinquency like Mr. Latimer said, they'd have to come up  
8 with \$180 to get on the plan?

9 MS. MCLELLAN: At minimum they would have to come up  
10 with -- and pay their current bill, so they would have to pay  
11 the 180, and they would have to pay the current bill. Okay.  
12 Now, it's been stated that Detroit, surrounded by fresh  
13 water, our bills are 20 percent higher for residents than it  
14 is in anywhere else in the country.

15 THE COURT: Yeah.

16 MS. MCLELLAN: Additionally --

17 THE COURT: All right. I'm going to give you a  
18 chance to sum up here, and then I do have to move on.

19 MS. MCLELLAN: Okay. Well --

20 THE COURT: Thank you so much.

21 MS. MCLELLAN: Additionally, I mean they do transfer  
22 the water bills over to the tax roll, so I mean, you know,  
23 you have -- it's a double hit. People are losing their  
24 houses as well.

25 THE COURT: Okay.

1 MS. MCLELLAN: Thank you.

2 THE COURT: Thank you. Mashuk Meah.

3 MR. MASHUK MEAH: Good afternoon. Good afternoon,  
4 everyone. I'm a little nervous --

5 THE COURT: You may proceed, sir.

6 MR. MASHUK MEAH: -- so bear with me. Okay? And I  
7 get hoarse. I'd like to speak maybe about two minutes after  
8 I make my speech, okay, on my personal situation. Okay. My  
9 name is Mashuk Meah. First and foremost, I am very proud to  
10 be a City of Detroit retiree after working for 30 years in  
11 Detroit. I left Ford Motor company in 1975 to pursue a  
12 career in the Water and Sewer Department. Detroit offered a  
13 better retirement package than Ford at that time. Having  
14 retired after 30 years of service, I have found myself  
15 without full pension, medical coverage, cost of living  
16 adjustment -- cost of living adjustment that I was promised  
17 when I was employed. Now the city is trying to recoup, claw  
18 back the interest that was paid on my annuity money from the  
19 time period of 2003 to 2013.

20 Mistakes were made by the past administration, and  
21 now the city had filed for bankruptcy and had requested to  
22 balance their books on the back of the retirees. Based on a  
23 reasonable man, your Honor, I don't expect to receive  
24 everything that I request nor do I expect to lose everything  
25 I worked for. I'm sure all the retiree want to see Detroit

1     come back with all its glory, but based on a reasonable man,  
2     your Honor, we, the retirees, should not be held accountable  
3     to return the money we earned on our annuity nor should we  
4     lose our cost of living adjustment or our medical benefits  
5     that we earned. And on top of all the cuts that Detroit  
6     wants, now the State of Michigan started taxing the retirees.  
7     If in five years the city can turn itself around, any  
8     reasonable man, your Honor, would expect the city to start to  
9     restore the benefits that the retirees lost as opposed to  
10    waiting until the year 2030 to be made complete. By 2030,  
11    most of the retirees will have passed away. Based on --  
12    again, based on a reasonable man, I can see us willing to  
13    give back maybe 4.5 percent that the city requests. We love  
14    our city, and we want it to prosper, but, again, based on a  
15    reasonable man, I don't expect to receive all that I'm  
16    requesting nor do I expect to lose all that I've worked for.  
17    So, your Honor, I'm asking you consider my request based on a  
18    reasonable man expectation after working for this great city  
19    for 30 years.

20             Personally, Judge, I'll be 62 in five days. I was  
21    an instrument tech foreman. My job required me to be on call  
22    24 hours a day. In the process of this job, I have lost my  
23    wife. I raised five kids. I have been in sewers,  
24    uncounted -- untold number of sewers shoveling poop. I have  
25    been up on poles dealing with electricity. I have been in

1 water plants. I have been on call where I had to have me  
2 take my child to the plant with my supervisor's permission  
3 because I was one of the few exceptions that could do the job  
4 that the city required. I put in 30 years. Now my health is  
5 not good by no means. They say all that glitter is not gold.  
6 Not that I'm gold, not that I'm glittering, but the knees are  
7 gone. I take shots every six month, three shots in each  
8 knee. I take another shot every two weeks. Give me a  
9 minute, okay, or a second. Me and my brothers, we did a very  
10 dangerous job. We have been in sewers where you look up and  
11 it looks -- the manhole looks like the size of a quarter.  
12 Okay. We lower -- we have been in sewer where there were no  
13 gas detectors at that time. We have been in sewer where  
14 there is no rungs to walk down it. We had to lower each  
15 other down on a rope. I have been with my brother when the  
16 cable came off of a truck, and if it wasn't for me holding  
17 the extra rope, I would have lost a brother. So with all  
18 these things that we lost, it's not unreasonable to ask that  
19 our medical don't be diminished. You know, I don't have a  
20 problem giving back something. I love this city. I could  
21 have left it a long time ago. I didn't have to lose my  
22 family over this. All I ask you to do is consider the loss a  
23 retiree will take, and no one really seems to represent us or  
24 care. Thank you.

25 THE COURT: Thank you, sir. Next is Amru Meah or

1 Mean. I'm not sure how to spell that. What is your last  
2 name, sir?

3 MR. AMRU MEAH: Meah.

4 THE COURT: Thank you.

5 MR. AMRU MEAH: Good afternoon, your Honor.

6 THE COURT: We'll make sure that's right.

7 MR. AMRU MEAH: Thank you for giving me the  
8 opportunity to speak. My name is Amru Meah, and I'm a former  
9 director for Buildings and Safety and Engineering Department  
10 where I worked approximately total with the city about 33  
11 years. And I wanted to take a few minutes to share with you  
12 some of my objections, and I'd like to do it in three phases.

13 Real quickly, a little bit about the law, what I  
14 understand the law to be in terms of the Chapter 9 Bankruptcy  
15 Code. It's my understanding that the -- when Congress shaped  
16 the Chapter 9 of the Bankruptcy Code, they did it in such a  
17 way that it would not violate the sovereignty of the states.  
18 Throughout the Code, it has recognized the state has certain  
19 powers. Also, as has been said many times, the state  
20 Constitution -- Michigan state Constitution seems to be very  
21 clear about protection of pension rights. And then last of  
22 the law part, I'd like to bring to your attention again  
23 Public Act 436, Section 11, 12, and 13. At least in those  
24 three sections, it makes clear that the emergency manager  
25 shall not have the power to affect, diminish, or impair the

1 pension obligations and rights. It talks about timely  
2 deposits into the pension program, and the emergency manager  
3 has special powers to reduce salaries but not to reduce  
4 pension payments.

5           The other thing I'd like to talk about is, as I  
6 said, I've worked for the city for 32 years, and when I  
7 retired, the city has, through its human resource department,  
8 a division called the -- a section that provides exit  
9 interviews where you, as the employee, would meet with the HR  
10 Department and go over what you should expect as a retiree.  
11 As I met with them -- my wife and I met with them, they  
12 indicated what my pension check would be on a monthly basis,  
13 what COLA would be, but also they indicated what our  
14 healthcare would be. And based on those conversations, it  
15 was my decision along with my wife's to, in fact, follow  
16 through with the retirement and ultimately move and buy a new  
17 house or whatever we did, but those kinds of decisions,  
18 financial obligations I made were in part based on what was  
19 shared with me through the city's exit interview process  
20 where they had made certain commitments about what my pension  
21 checks would be. Now we are being told that it could be  
22 reduced by a minimum of four and a half percent, but perhaps  
23 even greater if the vote isn't to approve it.

24           The other issue is that these draconian cuts that  
25 are being proposed by the city are far more than just four

1 and a half percent. In my case, I would actually see  
2 reduction in financial wherewithal closer to 30 percent, and  
3 how I came up with that is that, first of all, since I  
4 retired, while it's not part of the bankruptcy proceedings,  
5 the governor has imposed a 4.38-percent taxation on public  
6 pensions, but since then they have now proposed a four-and-a-  
7 half-percent pay cut for pensions, and then there's the nasty  
8 business of a clawback. My clawback would be approximately  
9 \$613 a month in addition to the \$325 a month of proposed cut  
10 on my pension.

11 And then also I think that -- I think one of the  
12 unintended consequences of the city's efforts to create  
13 classes, which I'm a part of a Class 11 creditor, I think  
14 they, it seems to me, created a subclass, if you will, in  
15 where I fall, and that is when I was talking to many of my  
16 fellow retirees about, you know, which way we're going, are  
17 we going to vote yes, are we going to vote no, I was  
18 surprised that many of the people I spoke to when I tried to  
19 explain to them what these cuts could entail, most of them  
20 indicated to me that they would not be feeling the pain of  
21 the healthcare that I am feeling. I now pay \$858 per month  
22 more now than I did in March of this year. I'm also a  
23 patient -- a cancer patient, which means that I have regular  
24 office visits and doctor visits, which I now have decided  
25 that some of these visits that I need to make at the doctor's

1 office I'm not going to do because I can't afford to pay this  
2 out-of-pocket expense. But when I said to you that it seems  
3 to me the city created a subclass within the class, what I  
4 meant by that is that when I talked to fellow retirees and I  
5 told them that, you know, we're going to see these big huge  
6 out-of-pocket expenses for costs for insurance, I was  
7 surprised that many of the people I spoke to had indicated  
8 that they either were old enough to receive Medicare -- and  
9 I'm only 58, so that means I'd have about several more years  
10 before I could qualify for Medicare -- or their pensions were  
11 small enough where they would be able to qualify for national  
12 healthcare because --

13 THE COURT: Sir, your time has expired. I'll give  
14 you one more minute.

15 MR. AMRU MEAH: Okay. Because I am a director, I  
16 had a greater income, therefore, I would have a higher  
17 pension, so I wouldn't qualify for either national healthcare  
18 nor do I qualify for Medicare.

19 The other issue that so many people were not upset  
20 about that they also receive Social Security, which I  
21 wouldn't receive, so I think that this may be a class that  
22 they had overlooked when they created these classes for  
23 people like myself, and I'm sure it's more than just me  
24 that's getting these cuts that are a lot stiffer than other  
25 retirees, so I would ask that you would take these things



1 into consideration as you --

2 THE COURT: Thank you, sir.

3 MR. AMRU MEAH: Thank you.

4 THE COURT: Thank you. Next is Linda Mulder. Ms.  
5 Mulder. Constance Phillips.

6 MS. PHILLIPS: Good afternoon, your Honor. I think  
7 I need to lower this a little.

8 THE COURT: Please.

9 MS. PHILLIPS: Okay. Can everyone hear me?

10 THE COURT: Yes. Thank you.

11 MS. PHILLIPS: Great. Good afternoon again, and  
12 thank you for this opportunity, Judge Rhodes, to once  
13 again -- after many times expressing objections regarding  
14 this overall plan of adjustment, first and foremost, I want  
15 to identify that I do have, for the record, a copy of what I  
16 prepared that I would like to leave with you, Judge, because  
17 it has additional attachments that I may not have time to  
18 reference regarding the poverty guidelines for the federal  
19 government as well as the current Crain's Business news  
20 reporting of the foundation contributions for the retirement  
21 plans and the DIA as well as the fact that Crain's has  
22 identified all of the legal firms and the consulting firms  
23 that are making over and have made over \$79 million in regard  
24 to this bankruptcy process. I might not have time to itemize  
25 all of those for you.

1           First and foremost, I do want to support what Ms.  
2       McLellan said because I also worked at the Department of  
3       Human Services and retired from the department because there  
4       was an opportunity to take advantage of a retirement plan  
5       that I really thought wasn't going to be there much longer.  
6       I've worked for the city for approximately 17 years. I  
7       supervised the division that Ms. McLellan worked within  
8       regarding helping those who are the lowest and neediest in  
9       our community. We provided in the Department of Human  
10      Services payments for utility bills, gas and electric bills.  
11      We paid for water bills when families could not pay those  
12      bills. We paid for food assistance, housing assistance. The  
13      dollars came from Health and Human Services Community Action  
14      Agency funds. When that department closed without actually  
15      having a required reporting system for closing from the  
16      federal government whereby the government indicated that one  
17      could work with the program people at their level -- those  
18      are program officers. We didn't have that opportunity in  
19      Detroit, so the department was closed, and the money was  
20      returned. Now we have to fight, fight, fight to get those  
21      millions of dollars back in the community at a time of great  
22      need. Water is one issue. We may be looking at electric  
23      bills next and gas bills next as another issue.

24           I indicated in my particular preparation of  
25      documents for today -- I did a summary of what it would cost

1 someone who is now receiving a modest pension of maybe  
2 \$21,000, worked for the city as a manager within that  
3 government structure. With the 27-percent bankruptcy rate,  
4 you are going to have almost \$500 removed from that paycheck.  
5 The new gross will be 1,318.53. With the annuity payment of  
6 \$58 removed, it probably -- a modest -- quote, unquote,  
7 modest -- insurance payment for one person of \$616 per month,  
8 for the entire program year, calendar year, the person will  
9 actually have generated or received a pension of \$4,942.44.  
10 That's one reason why I wanted to leave this for you, Judge,  
11 because it's going to take a few minutes to read through  
12 that.

13 THE COURT: Um-hmm.

14 MS. PHILLIPS: Additionally, as I work through my  
15 comments, I wanted people to understand that we do have a  
16 very big group of entity -- 20 is my count from the article  
17 in Crain's -- 20 firms received \$79,973,537.31. Also,  
18 Mr. Orr immediately made an opportunity available for his  
19 cronies, his crew, his team to get a five-percent increase  
20 when city workers and retirees hadn't had increases in years,  
21 so I'm concerned about this, this whole process. There are  
22 the haves and the have nots. And the retirees have seemed to  
23 have been the group on which the bankruptcy has been built on  
24 our backs, and it's not necessary for that to happen, so I  
25 really want people to take a look. There needs to be a

1 stakeholder group, a task force, however you want to call it,  
2 special committee, pulled together to put together job  
3 opportunities, utilizing the information highway, the  
4 Internet, technology, for the retirees. People are going to  
5 have to have opportunities to be able to make these  
6 shortfalls up from the financial deficits because everyone  
7 has voted or not voted or, yes, everybody voted for the plan.  
8 Statistically speaking, no matter what report is done, what  
9 survey is done, what questionnaire is done, there is never a  
10 hundred percent return on anything, so to presume that a  
11 hundred percent of the entities have actually gone ahead and  
12 voted is false. We're looking at possibly 27-percent cuts.  
13 I've also given the poverty levels for families, one through  
14 four, in this packet, and thank you.

15 THE COURT: Let me --

16 MS. PHILLIPS: I didn't know I was going to have  
17 that opportunity. I'm glad I brought an extra copy.

18 THE COURT: And thank you. So if you'll just hand  
19 that to my clerk --

20 MS. PHILLIPS: Certainly. I'd be happy to do so.

21 THE COURT: -- I'll have a look at it and put it in  
22 the record for you.

23 MS. PHILLIPS: I'll probably send it in to the court  
24 as well.

25 THE COURT: Okay. That, too. Good. Thank you.

1 Chris, would you get that?

2 MS. PHILLIPS: I don't think there's a way for me to  
3 get through there. Thank you.

4 THE COURT: Thank you. Thank you. Next is H. Jean  
5 Powell, please.

6 MS. POWELL: Good afternoon, your Honor. Can you  
7 hear me?

8 THE COURT: Yes.

9 MS. POWELL: Okay. I want to thank you for  
10 permitting me the opportunity to speak regarding the  
11 bankruptcy for the City of Detroit. As you've indicated, my  
12 name is H. Jean Powell. I retired from the city on April  
13 1st, 2010, after 32-1/2 years of working in various  
14 departments throughout the city. I am contesting the  
15 inclusion of retirees in this bankruptcy. I realize that  
16 this has already happened; however, we are innocent victims  
17 of the reason for this bankruptcy. We retirees served many  
18 years for the city long before the various administrations  
19 that led us into this particular situation that we're in now,  
20 which came about with the bankruptcy. So what I'd also like  
21 to say is that now I like to do an analogy of the City of  
22 Detroit and the employees as a family unit, the parents and  
23 the children. The parents make, you know, unwise decisions.  
24 They make things, and now -- the city administration have  
25 made bad decisions, and now they're asking for us to

1 participate in the recoupment of bad decisions that were made  
2 on their behalf. I don't believe that any retiree here in  
3 this room had any part in the decisions that were made by  
4 administration that led us into this bankruptcy decision. I  
5 recall many -- over the years that several union leaders sent  
6 letters and correspondence to the administration indicating  
7 that a lot of the decisions that were made on contracting  
8 issues and things of that nature showing them or pointing out  
9 to them, in their opinion, that they were not acting in the  
10 best interest of the city. And to my knowledge, none of  
11 these were responded to or -- in terms of that they received  
12 them.

13 Judge Rhodes, I realize the inclusion of the  
14 retirees has been agreed upon, but what can be done to remove  
15 the retirees from this bankruptcy proceeding? I respectfully  
16 implore you to revisit this aspect of this bankruptcy and  
17 remove the retirees.

18 And my second point is the recoupment of interest  
19 paid from 2003 through 2013, once again, actions that  
20 retirees did not participate in, and yet, once again, we are  
21 being penalized for actions beyond our control. And I'm  
22 concerned now is what controls are in place for us because we  
23 have received these monies and at some point will be asked to  
24 pay taxes on these monies, so has the bankruptcy team put  
25 anything in place to show how we will not have to pay taxes

1 on monies that we received but now we have to pay back.

2 Judge Rhodes, throughout the bankruptcy you have  
3 shown courage, fairness, and empathy towards retirees, and it  
4 was demonstrated this afternoon by your concern about the  
5 folks getting their water shut off. And I just believe --  
6 and it's my heartfelt belief -- that we need to revisit the  
7 inclusion of the retirees. We're not -- we are retirees, but  
8 this will impact each individually in a different way. You  
9 know, my impact would not be as great as maybe a typist or,  
10 you know, a worker or things of that nature, but,  
11 nevertheless, we need to be sure that we can be given an  
12 opportunity to maintain what we have worked so hard for for  
13 many years. Many of the retirees that have spoken to you  
14 already today have indicated that, you know, we stayed with  
15 the city. We had a career with the city because we felt at  
16 the end of our careers that we would have a pension that we  
17 could count on, we would have the healthcare that we need,  
18 and we just feel now that all of this was misguided  
19 information that we felt and believed that we had deserved.

20 Your Honor, please permit retirees an opportunity to  
21 have a quality of life that we worked so hard for and long to  
22 live comfortably as possible in our retirement years, and I  
23 believe once you take a look and see, you know, if -- I  
24 realize the city is in dire straits, but is there any way  
25 that the retirees at this point, although the decision has

1    been made to include us, to exclude us from this bankruptcy  
2    because it's going to hurt the retirees very deeply, each of  
3    us individually, so I implore you to please take a look at  
4    that. Revisit that situation. See what participation the  
5    retirees played in this process and see what type of relief  
6    that you could provide for the retirees.

7           THE COURT: Thank you.

8           MS. POWELL: Thank you, sir.

9           THE COURT: Next is Roger D. Rice.

10          MR. RICE: Good afternoon, your Honor. My name is  
11    Roger Rice. I worked for the City of Detroit for 38 years.  
12    I've been retired for the last two years. It'll be three  
13    years this coming February. Can you imagine my answer when  
14    somebody asks me how am I doing in my retirement? My wife  
15    has had a heart attack since the bankruptcy started unrelated  
16    to her health. It was caused by stress. Last fall or last  
17    winter, they eliminated my wife's health insurance. Now  
18    we're paying \$700 a month for her to have health insurance.  
19    I am 65. I'm getting Medicare plus the Medicare supplement  
20    from Blue Cross through the city, but they've diluted the  
21    plan to the point that I basically can't tell a difference of  
22    having the benefits from the city or the basic Medicare  
23    benefits. I mean it's so diluted now.

24                The cuts that we're looking at, the four and a half  
25    percent sounds like, well, okay, four and a half percent is



1 not a lot of money, but then when you roll in the two-and-a-  
2 half-percent cost of living allowance that we were told at  
3 the point that we were retiring, that's seven-percent  
4 interest -- or seven-percent pay cut right there. And, of  
5 course, I understand that if we get the two-and-a-half-  
6 percent cost of living, there's a compounding over the period  
7 of years that's going to bring your pension up  
8 substantially -- not substantially. I guess it depends on  
9 what your pension is. My pension isn't that much. With the  
10 four and a half percent and the two and a half percent and  
11 the \$700 of healthcare I'm having to pay for my wife now, I'm  
12 basically looking at almost a 50-percent cut in my pension.

13 I've lived in the city most of my adult life. The  
14 clawback, I just -- I can't believe how that thing even came  
15 into there. I mean I'm thinking, well, hey, you know, we got  
16 a statute of limitation of seven years. They said, no, we're  
17 going to go back ten years. Can you imagine going to the  
18 bank and investing your money in a bank and then the bank  
19 coming back and saying, "Wait a minute, you know. Our  
20 investments didn't do as well, so we can't pay you the one-  
21 percent interest we promised you. We can't pay you anything,  
22 so we want all the interest back that we paid you," and  
23 that's what this is. This is basically them taking back  
24 whatever interest they paid us over that ten-year period of  
25 time. My annuity wasn't as much as a lot of people's.

1 Thirty-eight years, but I was also off work for ten years at  
2 one time with a job-related injury, so my annuity wasn't as  
3 high as some people's, but still that's going to be a  
4 substantial burden for me to pay that money back. There's a  
5 lot of -- and this has been mentioned before, too. There's a  
6 lot of unanswered questions about what this whole package  
7 entails. I've heard that the four-and-a-half-percent cut in  
8 your pension is going to be there for 20 years. Obviously at  
9 65 I can't wait till my 86th birthday so I get my four and a  
10 half percent back. I don't -- I hope I'm alive. The four  
11 and a half percent, the two and a half percent COLA would be  
12 more palatable if there was a sunset or a time on it. Over  
13 the course of my 38 years -- and I was involved with the  
14 union really heavily -- contract negotiations after contract  
15 negotiations we did give-backs. Ten-percent pay cut here,  
16 forego your raise that you got coming for the next two years,  
17 a ten-percent pay cut here, furlough days, DWOP days,  
18 whatever it was, we've given back and given back and given  
19 back, but there was always a time on it. We're going to do  
20 furlough days for the next two years. We're going to do DWOP  
21 days, which were days without pay -- I guess the furlough  
22 days became more politically correct -- or a ten-percent pay  
23 cut, and there was a time limit on those cuts. That would be  
24 more palatable than just saying these cuts are permanent.

25 The clawback thing, I figure that the amount of

1 money that they say that I owe, it was going to take me a  
2 little over 11 years to pay it back. Well, then somebody  
3 else says, "Wait a minute, you know. There is no sunset  
4 there. It goes even to your wife," so there's -- it's a  
5 lifetime payback on that clawback, so let's say I owe them a  
6 hundred dollars. That hundred dollars is never going to be  
7 paid back or it'll be paid back, but it's going to  
8 continually if -- unless I pay a lump sum payment, I'm going  
9 to continually be paying that hundred dollars back.

10 THE COURT: Your time has expired, sir.

11 MR. RICE: Can I say one other thing, your Honor?

12 THE COURT: Yes. Go ahead.

13 MR. RICE: Just one thing. There's another group  
14 out there of retirees, and I understand the package that  
15 they've gotten. I understand their job. Mr. Meah and his  
16 brothers worked for the sewage department. I worked on  
17 garbage trucks, basically the same type of hazards almost  
18 except for the climbing. And I understand the police and  
19 fire. Police and fire are being asked to take no pay cut and  
20 half of the cost of living, and I understand that we get  
21 Social Security and they don't, but I pay 6.2 percent into  
22 Social Security. They get to take home 6.2-percent more, so  
23 they have their Social Security basically. They get that 6.2  
24 percent every week in their pay. It's not right for one  
25 group to be hit with a pay cut in their pension and another

1 group not.

2 THE COURT: Thank you, sir. All right. We've been  
3 going at this for an hour and a half now, so let's take a  
4 recess for ten minutes and reconvene at 3:40, please.

5 THE CLERK: All rise. Court is in recess.

6 (Recess at 3:29 p.m., until 3:40 p.m.)

7 THE CLERK: All rise. Court is in session. Please  
8 be seated. Recalling Case Number 13-53846, City of Detroit,  
9 Michigan.

10 THE COURT: Next on our list is Stina Santiestevan.  
11 Renla C. Session. You may proceed.

12 MS. SESSION: All glory and honor to God, the  
13 Father, and Jesus Christ, my Lord and savior. Good  
14 afternoon, your Honor. My name is Renla Session. I am a  
15 native born long-time Detroit resident and a member of the  
16 UAW, and I took off a overtime day to be here because I love  
17 my city, and besides that, I know that the UAW is the next  
18 target for Governor Snyder on his hit list.

19 I have so many objections to the proposed plan of  
20 adjustment and grand bargain, which is more like grand theft.  
21 However, my main concern is the human toll of this Lansing-  
22 orchestrated Koch brother finance union busting bankruptcy.  
23 The people are a city's most important asset, not balance  
24 sheets, and throughout this entire process Kevyn Orr and  
25 Governor Snyder and their merry band of looting lawyers have

1 had no regard for the welfare of the people, particularly the  
2 African-American people of Detroit. Any further cuts to the  
3 for the most part meager pensions and bare-bone benefits of  
4 the pensioners will have a devastating financial and  
5 psychological effect on the already ravaged African-American  
6 community. Kevyn Orr and Governor Snyder seem to be totally  
7 oblivious to the fact that many of us who live beyond the  
8 downtown and midtown areas are truly suffering.

9           Our retirees are our most stalwart and responsible  
10 citizens. They are the generation with the strongest work  
11 ethics. Many of them are war veterans sworn to duty who know  
12 how to sacrifice and persevere through adversities while  
13 maintaining their faith in God and country. Because of their  
14 emotional stability and, quote, unquote, guaranteed income,  
15 they are the backbone of the African-American community where  
16 it is not uncommon for as many as four generations to be  
17 living in the same household. Many retirees are raising  
18 grandchildren, supporting and supplementing the income of  
19 unemployed or underemployed grown children, and some are  
20 caring for aged parents. Ex-offenders often find sanctuary  
21 in the homes of our retiree generation.

22           How will the younger generation be motivated to get  
23 an honest job after watching their parents and grandparents  
24 work hard all their life, play by the rules, be responsible  
25 citizens, only to end up homeless on the street with nothing?

1 Our youth cannot afford any more hope snatched away from  
2 them. With Governor Snyder's failing EAA schools eliminating  
3 African-Americans, experimental African-American schools,  
4 exploiting African-American schools, take your pick,  
5 whatever you want to call them, these schools are robbing our  
6 youth of a quality education. There are no summer jobs, no  
7 recreation, no Belle Isle, no chance of going to college, and  
8 now no water. Why not turn to crime because if this plan of  
9 adjustment is allowed to go through, it will prove to our  
10 youth that playing by the rules does not necessarily work for  
11 some people, and in all likelihood it won't.

12 Your Honor, I implore you to not make the pensioners  
13 pay for a bankruptcy they did not cause. The banks destroyed  
14 their -- Detroit with their illegal swap deals, predatory  
15 lending, and their unwillingness to support small businesses  
16 in the city. The banks can afford to take the hit. The  
17 pensioners cannot. The State of Michigan should honor their  
18 promise to protect the pensions. Thank you, your Honor.

19 THE COURT: Thank you. Carlottie Shaw. Ms. Shaw.  
20 Mark L. Smith.

21 MR. MARK SMITH: Good afternoon. I will follow up  
22 with a letter if the Court --

23 THE COURT: Okay. Sure.

24 MR. MARK SMITH: I served the city, worked 30 years  
25 as an accountant rising through levels and ended up as a --

1 what's considered to be an accounting manager. I did have  
2 direct responsibility for two separate accounting entities.  
3 That would be like subentities within the city government. I  
4 also worked in the Finance Department. Now, in the Finance  
5 Department my first job I -- well, more than one job. I  
6 worked in the central accounting section, and I would say all  
7 those years I never saw the general fund cash flow  
8 statements. I never saw the direct cash flow statements. I  
9 believe I wrote in my letter to the Court I have some doubts  
10 as to whether or not there was or is a -- was a liquidity  
11 problem that justified bankruptcy in the first place.

12 THE COURT: Let me ask you to speak closer to the  
13 microphone, please.

14 MR. MARK SMITH: Oh, I thought I had a big mouth, so  
15 I didn't think I needed to. Okay. As I said, I have some  
16 doubts as to whether there was some liquidity problem. As I  
17 said, I never saw it. I would ask the Court to make sure  
18 that the city's side, the city's attorneys present good  
19 evidence that there is or was a liquidity problem, but what I  
20 hear now informally is that they do have a large cash  
21 balance, but that's irrelevant.

22 As I said, I did take care of two separate  
23 accounting entities, and I was responsible for the cash flow.  
24 And doing that, salaries, wages were always absolute first  
25 priority as far as timing goes, and they were also -- had the

1 highest priority as far as preeminence of priority. In that  
2 level, in that class, I would also have considered paying  
3 federal payroll taxes as having the same preeminence, and I  
4 would also have considered pensions because pensions are just  
5 like payroll. So my point there is that I never would have  
6 considered trying to change the pension or trying to change  
7 the payout to the pensioners.

8           Also, considering the city's bankruptcy, as far as  
9 the pension fund funding levels, it was mentioned by another  
10 person -- I believe two other people -- that there were  
11 grant-funded agencies. There are like four major grant-  
12 funded agencies, and three of them have been expunged by the  
13 city. Those three were -- well, not a hundred percent, but  
14 they did have a large grant-funded portion of funding, and  
15 those funds directly contributed to the city's General  
16 Retirement System, meaning that there's -- there was no  
17 deficiency in the funding of the employees who worked for  
18 those agencies. Now, I made some rough calculations based on  
19 budget -- excuse me -- budgeted figures, and I had to do that  
20 because I can't get actual figures. Now, that's related to  
21 another issue I would like to speak to. I was hoping  
22 somebody else would be here. But we haven't been able to get  
23 actual figures. I couldn't get actual financial figures.  
24 One, I guess some of the employees feel that they're not  
25 supposed to give it out because, you know, I'm an outsider



1 now. I'm not an employee. A FOIA would not be practical.  
2 The reason I say that is because we have already done a FOIA  
3 for the names and addresses of all of the retirees because we  
4 wanted to be able to send out justification for rejecting the  
5 grand bargain. We haven't been able to get that. Now, that  
6 seems to be kind of unfair, but I'll get back to my point.

7 THE COURT: I can give you one more minute, sir.

8 MR. MARK SMITH: Oh, wow. Okay. Well, I will be  
9 following up with a letter. Anyway --

10 THE COURT: Okay.

11 MR. MARK SMITH: I calculated that the grant funding  
12 contributes 5.2 percent to the General Retirement System.  
13 Now, that seems to be a small amount, but if you consider the  
14 deficit that they claim, the percentage, that 5.2 percent  
15 would dramatically close that gap.

16 I also want to say that if the grand bargain of 860  
17 million resulted in an abatement of pension cuts from 26  
18 percent down to four and a half percent, maybe if the State  
19 of Michigan were to go ahead and pay the amount they owe the  
20 city, maybe we could close out that four-and-a-half-percent  
21 abatement -- four-and-a-half-percent pension cut.

22 I will also -- so one more thing I'll say. I have  
23 also calculated that after ten years anyone in the General  
24 Retirement System, they will lose 22 percent of their income  
25 based upon what they are actually receiving now. That is

1 from the COLA -- loss of COLA and also the four-and-a-half-  
2 percent pension cut, so finally I would implore the Court to  
3 just go ahead and reject the pension cuts, the COLA, and the  
4 clawback, definitely the clawback because that's nothing more  
5 than outright thievery, not as a thief in the night, but as a  
6 thief in daylight.

7 THE COURT: All right. Thank you, sir.

8 MR. MARK SMITH: Okay. Thank you.

9 THE COURT: All right. I'll look forward to your  
10 letter. Next is Michael Smith, please.

11 MR. MICHAEL SMITH: Good afternoon, your Honor. I  
12 object to the city's plan of adjustment. I object to the so-  
13 called grand bargain, which I consider grand theft. Governor  
14 Snyder and Emergency Manager Kevyn Orr passed a plan to  
15 adjust my pension, which I find illegal and immoral. This  
16 team wishes to reduce retirees, which have been solid  
17 citizens, taxpayers, and have played by the rules, to second-  
18 class citizens. As Snyder and Orr and their team pat  
19 themselves on the back, retirees get a slap in the face. Our  
20 services are no longer needed, so our money and healthcare  
21 should be reduced, according to their logic. They have made  
22 it crystal clear that paintings on the wall and the bankers  
23 that feed and have fed on our blood, sweat, and tears are  
24 much more than retirees who are now struggling to put food on  
25 the table. Your Honor, I ask you does anyone care or hear

1 us? We're trying to put food on the table.

2           The 23,000-plus retirees will begin to struggle to  
3 pay our utility bills, our mortgage, buy gas, and I guess we  
4 can thank those men who are patting themselves on the back  
5 who have taken the human element out of this equation, which  
6 is the retirees, no doubt. Even our death benefit is being  
7 eliminated, your Honor, our death benefit.

8           We, the retirees, wish the truth could actually be  
9 told. The so-called 4.5-percent pension reduction is really  
10 a lot more than that. Let the media come and tell the truth,  
11 the whole truth, and print that. The City of Detroit is  
12 supposed to be broke, but it's amazing that millions of  
13 dollars have been sent -- been spent on consultants,  
14 advisors, consultants to advisors, advisors to consultants.  
15 Millions were given by the Big Three to save the artwork on  
16 the wall. How many retirees bought cars over that period of  
17 time as we worked for the city? Why isn't our pension being  
18 reduced to zero percent? There are millions going around and  
19 maybe billions floating around. The city has saved much by  
20 dropping retirees from healthcare, so, again, why can't our  
21 pension be reduced to zero percent? Was that savings used to  
22 pay the raises of the city council, the mayor, and whomever  
23 else is not a City of Detroit retiree? Yes, your Honor, I  
24 object to the so-called plan, grand plan that is anything but  
25 a grand plan for retirees.

1           In closing, this is truly a plan of adjustment for a  
2 City of Detroit retiree. How do we adjust to this when we  
3 have worked all our lives and everything that we worked for  
4 is being taken from us? Retirees seem to be the only people  
5 who have made an adjustment. Why is that? Kevyn Orr, the  
6 consultants, the advisors, the lawyers, the mayors, the  
7 council all will make an adjustment of more money or a raise,  
8 but retirees are the only ones making an adjustment with a  
9 lot less to work with. I wish all of those that can take  
10 that kind of financial hit that the retirees are about to  
11 take will stand up and clap. Thank you, your Honor.

12           THE COURT: Thank you, sir. Constance Spight. Tina  
13 Sumner. Elaine Thayer.

14           MS. THAYER: Good afternoon, Judge Rhodes.

15           THE COURT: Would you pull the microphone closer to  
16 you for me, please?

17           MS. THAYER: Is that okay?

18           THE COURT: Yes.

19           MS. THAYER: Okay. Good afternoon, Judge Rhodes. I  
20 am not a City of Detroit retiree, but I am representing my  
21 significant other, who retired with 39 years, and my mother,  
22 who receives a pension check as a beneficiary.

23           In 1973 the City of Detroit entered into what they  
24 call the General Retirement System, 1973, defined benefit,  
25 defined contribution plan of the City of Detroit. This was,

1 in reality, two separate plans, the first being the 1973  
2 defined benefit plan, which guaranteed a city retiree a fixed  
3 monthly pension check for the rest of their life and possibly  
4 a beneficiary if they had chosen that option. The other part  
5 of this plan, known as the 1973 defined contribution plan,  
6 also known as the annuity savings account, was an optional  
7 savings plan for employees. If you chose to contribute to  
8 this plan, the funds were invested and overseen by the City  
9 of Detroit investment advisors. Your account would accrue  
10 interest, and at the time of retirement you would roll this  
11 money over to your own investment company, and it would be  
12 viewed in the same manner as any IRA.

13 Then along came the new 1998 defined contribution  
14 plan offered by the city as a second pension option. The  
15 employees that were currently in the defined benefit plan had  
16 the opportunity to transfer into the new 1998 defined  
17 contribution plan. This pension plan is a 401(k), which  
18 means the employee is responsible for their choice of  
19 investment portfolios offered through the mutual funds  
20 administered by Great West Retirement Services. The employee  
21 contributes to this pension plan every pay along with any  
22 negotiated amount to be contributed by the city. In this  
23 case, the employee bears the risks associated with  
24 investments, not the city. When it's time for an employee to  
25 retire under defined contribution, they do not receive a

1 check from the city for a fixed amount of money every month.

2           The pension portion of the current beneficiary  
3 case -- excuse me -- bankruptcy case only addresses cutting  
4 the pensions of defined benefit members due to the retirement  
5 funds being underfunded. Because these employees chose to  
6 stay with the defined benefit plan due to its guaranteed  
7 security, they are now being told they have to bear part of  
8 the financial crisis that the city now faces. However, the  
9 employees who transferred to the 1998 defined contribution  
10 plan are not affected because the money that they and the  
11 city contributed to their retirement went directly into their  
12 pension accounts at Great West. When the employees made the  
13 decision to transfer to the 1998 new defined contribution  
14 plan, the value of their accounts were calculated based on  
15 the actuarial amount that would have been set aside in the  
16 defined benefit account for their future retirement, and the  
17 money was transferred from the defined benefit plan to each  
18 of their accounts at Great West. This huge transfer of money  
19 definitely played a role in the underfunding of the defined  
20 benefit plan. The underfunding of the defined benefit  
21 investments didn't happen overnight. It was a culmination of  
22 the transfer amount for defined contribution, the investment  
23 losses, and the lack of the city contributing their portion  
24 to the pension fund.

25           The board of trustees, after consultation with its

1     actuary, Gabriel, Roeder, Smith, changed the smoothing  
2     method, which uses a period of years to recognize gains and  
3     losses as opposed to recognizing the actual gains and/or  
4     losses that occur in each year, from three years to five  
5     years in 2010, and in 2011 it was again changed from five  
6     years to seven years, which now reduced the city's pension  
7     portion by a total of \$19 million. Even after these changes,  
8     the city did not contribute to the employees' defined benefit  
9     plan.

10           After further investigation into the 1973 defined  
11     contribution plan of the City of Detroit, otherwise known as  
12     the annuity savings account, it was determined that the  
13     employees have been paid excess interest in several years  
14     during the period of June 2003 through July of 2013.

15           Now I would like to present my questions to this  
16     Court. Number one, why are the defined benefit retirees the  
17     only retirees to take reductions to help stabilize the City  
18     of Detroit? The retirees that transferred to defined  
19     contribution in 1998 should have to bear some burden for the  
20     underfunding in the pension fund. The excuse that 1998 is  
21     just too long ago doesn't hold up when employees who retired  
22     prior to 1998 under the defined benefit plan will have  
23     reductions to their monthly checks.

24           Number two, I have yet to see any mention as to the  
25     reductions to spouses who under court-ordered EDRO's receive

1 a portion of the employee's retirement funds. If the retiree  
2 gets a reduction, does the ex-spouse also get a reduction?  
3 And when the COLA is no longer paid to the retiree, does the  
4 ex-spouse also stop receiving COLA?

5 Number three, the city doesn't pay the defined  
6 contribution retirees a check, so how does the city plan to  
7 recoup the excess interest paid to the defined contribution  
8 retirees' annuity savings accounts, which is expected to be  
9 about 15-percent reduction to the defined benefit retirees?

10 In summary, if one employee is going to have a  
11 reduction to their pension checks, which I assume will  
12 include retirees that retired long ago, then all retirees  
13 should have to take a reduction in their pension. Thank you,  
14 your Honor.

15 THE COURT: Thank you. Marie Lynette Thornton.

16 MS. THORNTON: I'd just like to thank you for the  
17 opportunity to speak. First of all, I am not a retiree, but  
18 I am a long-time resident of the City of Detroit for 63  
19 years. I'm also elected to the Midtown Concerned Citizen  
20 District Council, and I am also a precinct delegate or a  
21 community person. And my concern is looking from what I see  
22 on all sides -- that's including yours -- when you say you  
23 don't have any jurisdiction over the water, but you have --

24 THE COURT: I didn't quite say that. What I said  
25 was I wasn't sure.



1 MS. THORNTON: Oh. That's what I heard this  
2 morning. Okay. That's accounted to my age of 63. I dragged  
3 myself here off a dialysis machine, got off early, just to  
4 come here to say the following. Number one, the ballots.  
5 I'm listening to the media talk about the results are already  
6 in, so it makes me wonder, as a citizen and a community  
7 person, is this just a dog and pony show today. It makes me  
8 think if it's a dog and pony show because you have city --  
9 you have Orr giving raises to individual if we're in a  
10 bankruptcy state. You have folks like myself hearing that  
11 the ballots went out wrong and all of this, so it makes you  
12 think is this whole bankruptcy manufactured.

13 And then as a Midtown City Citizen District Council  
14 member, this thing about blight and money being used for this  
15 or being used for that, I think it's a violation of Public  
16 Act 344 when you don't include me and other residents who  
17 were elected on April the 8th to participate in the blight  
18 process of determining how they use this hard-hit money for  
19 blighted area, so we, the citizens and the senior citizens in  
20 Detroit, think this is just manufactured to move low income  
21 people out of Detroit, to move senior citizens out of  
22 Detroit, and others so they can create a new Detroit at the  
23 expense of the citizens that have remained behind and that  
24 the court system such as yourself, Judge Rhodes -- and I  
25 don't know you from man in the moon -- is creating this false

1 sense of there is a bankruptcy just to create a new Detroit  
2 and to move citizens out, and I really just feel bad that the  
3 system that I thought was for democracy is turning into being  
4 used to displace citizens, African-American, low income  
5 people, out of the City of Detroit to create a new Detroit,  
6 but I really am appalled at Kevyn Orr for even requesting  
7 raises for himself, his staff, and others in the City of  
8 Detroit and say that there's a bankruptcy. I think we are  
9 being bamboozled in the City of Detroit saying that there's a  
10 bankruptcy when, in essence, there is true not a bankruptcy  
11 or a debt, and people are just removing us as senior citizens  
12 and low income people to create a new Detroit for the have  
13 and, you know, forget about the have not in the City of  
14 Detroit. How you going to cut off water to citizens in the  
15 City of Detroit and keep it going for commercials people in  
16 the City of Detroit? You might not have jurisdiction over  
17 the water, but we, the people who are low income, who are  
18 senior citizen, need to have our right addressed in the City  
19 of Detroit. And I just don't believe that there is really a  
20 debt. And why not the DIA? I live in midtown. Why can't  
21 they -- why are you protecting them and not protecting low  
22 income? I thank you for allowing me to speak. And we, the  
23 outsiders, not the retirees, are looking at all of this mess  
24 that's going on, and I'm still trying to figure out how did  
25 the media already predict that it was going to be approved,

1 this bankruptcy was going to be approved, and the votes was  
2 not already in officially. Thank you.

3 THE COURT: Thank you. Jean Vortkamp.

4 MS. JEAN VORTKAMP: Hello again, Judge Rhodes.

5 THE COURT: Can you slide that mike down a bit for  
6 me? Thank you.

7 MS. JEAN VORTKAMP: Thank you for giving me the  
8 opportunity to speak today. I'm Jean Vortkamp, a resident  
9 who is here because my family and friends will be  
10 impoverished by this plan of adjustment, which is taking  
11 their property against the Fifth Amendment of the  
12 Constitution. This is a plan of impoverishment, not an  
13 adjustment of debts.

14 I would like to tell you about Simea and James,  
15 James and Simea. Simea likes to make her Play-Doh into  
16 different kinds of pretend food. James makes his LEGO people  
17 fly. They are children. They are my neighbors. I watched  
18 the city in the name of restructuring shut off their water.  
19 In the Chapter 9 Bankruptcy Code, I must have glanced over  
20 the section that led to Kevyn Orr's decision to make water  
21 shutoffs, quote, "a necessary part of Detroit's  
22 restructuring," as he said in the Free Press. As Jones Day  
23 says in its objection responses, Chapter 9 is designed to  
24 assist distressed municipalities in providing vital  
25 government services to the general public. Instead, they

1 took them away. In concentration camps, there was water.  
2 Many of the children in my neighborhood had their water cut  
3 off. Families are taking money from things like rent to pay  
4 the bill they could not afford with our high water rates. My  
5 neighborhood is a ten-minute drive to a pumping station on a  
6 river connected to the Great Lakes, but my bill is higher  
7 than the average U.S. water bill. Privatization usually  
8 causes rates to double or triple. How would that make  
9 Detroit look like a more attractive place to live in post-  
10 bankruptcy? Jones Day notes --

11 THE COURT: May I interrupt you for a second?

12 MS. JEAN VORTKAMP: Hum?

13 THE COURT: May I interrupt you for a second? Do  
14 you know whether your neighbors tried to get help with their  
15 water bill, and if they did, what happened?

16 MS. JEAN VORTKAMP: This particular neighbor, I'm  
17 not sure how they got -- how they got the money. I know that  
18 they ran to do it for the next day. The one -- the daughter  
19 had asthma, and so you can't have a house with no water if  
20 you use the asthma machine. I think she uses -- I'm not sure  
21 she uses the asthma --

22 THE COURT: But you're not sure how they got the  
23 money to fix that bill?

24 MS. JEAN VORTKAMP: No, but I know that the little  
25 girl needs new shoes.

1 THE COURT: Okay. Please continue.

2 MS. JEAN VORTKAMP: Um-hmm. They also charge a  
3 reconnect fee. That's something that has not been mentioned.

4 THE COURT: Oh, how much is that?

5 MS. JEAN VORTKAMP: I'm not sure. I would check  
6 into that. Jones Day notes that by 2023 the water department  
7 will save over 500 million, which seems to be at least partly  
8 taken from pensioners. Why don't they just go after Chase  
9 and their partners in the \$537 million in swaps which was  
10 supposed to fix our infrastructure, but instead these people  
11 who are not elected would take water from Simea and James.  
12 It astounds me that in Detroit in the same period of time  
13 that myself and a group of engineers were working on an  
14 engineering program for Detroit children, Kevyn Orr was  
15 working on a plan to take their water away. There is not one  
16 person on this earth that has the right to deny even one  
17 child their human right to water. I demand that these  
18 shutoffs stop, that there is a forensic audit of the water  
19 department and all its contractors, the staffing levels be  
20 examined to see if they are adequate, the prices be lowered  
21 for all of southeastern Michigan, and that there be no sale  
22 of the water department or the first step toward that, which  
23 is regionalization.

24 The plan of adjustment objection responses notes  
25 that \$450 million there will be addressing blight. Obviously

1 blight is caused by joblessness. The Detroit Future City's  
2 plan was originally funded in part by a developer, Richard  
3 Baron, who recently bought part of the riverfront. To  
4 pretend that this has anything to do with Detroiters is a  
5 lie. Addressing blight means getting people jobs, not  
6 mashing down houses after banks and mortgage companies like  
7 Countrywide have foreclosed on them and not taken care of  
8 them until they are looted. This plan of adjustment has made  
9 me nostalgic for democracy and human progress. I object to  
10 the structure of every single governance in this plan. None  
11 of them give retirees and citizens representation.

12 I object to the word "duly" in front of "mayor," and  
13 this is significant because of the VEBA selection of  
14 trustees. The mayor, of which we do not, in my opinion, have  
15 one that is duly elected, will choose three of the trustees.  
16 The investigation into the Detroit 2013 primary was no  
17 investigation of all with responsibility for it being shifted  
18 around and officials not doing their duty. Here is an  
19 example of some of the ballots with similar handwriting. Our  
20 post-bankruptcy governance simply should be clean elections.  
21 These are two different ballots. These are two different  
22 ballots.

23 THE COURT: Just so it's clear, you're showing me  
24 ballots from the mayoral election?

25 MS. JEAN VORTKAMP: Who will be in charge of the

1 VEBA. I object to the grand bargain. That says it is not  
2 guaranteed. It is oddly named the same as taking Social  
3 Security away, the grand bargain, and is it within the  
4 guidelines of the IRS status for the foundations? There  
5 appear to be conditions on their contributions. The way it  
6 is set up seems like it could fall apart like a house of  
7 cards at any time and hurl retirees into poverty. I implore  
8 the Court and President Obama to side with the people of this  
9 country and stop this bankruptcy, investigate every step of  
10 this process, the emergency manager law, the Detroit primary  
11 2013, and our election system. This plan sets Detroit up to  
12 fail. Detroit is not a Monopoly game. This is no  
13 opportunity Detroit, not for the impoverished children I work  
14 with, seniors, legions of young adults with no jobs. This is  
15 an opportunity to demolish houses with hardest hit money to  
16 prep for developers for profit instead of using the money to  
17 help Detroiters keep their homes.

18 THE COURT: Your time has expired. Do you need  
19 another minute?

20 MS. JEAN VORTKAMP: Yeah. It is an opportunity for  
21 a political agenda counter to the will of the people of  
22 Detroit that pushes privatization. It seems odd to me that  
23 much of what's happening in Detroit follows the agenda of the  
24 Mackinac Policy Center, the Manhattan Policy Institute, and  
25 ALEC, who are not the elected government. I suggest the

1 Court become more aware of their background and investigate  
2 if there is some possibility of a connection.

3 We would like clean elections, a forensic audit, sue  
4 the banks for everything that they've done, and stronger  
5 regulations for the money that comes here. I stand in  
6 solidarity with the people of Central Falls, Rhode Island,  
7 Puerto Rico, Stockton, and any other places this traveling  
8 greed circus set up camp. Shame on every person who is  
9 allowing this to continue. Detroiters take care of each  
10 other no matter how little we have. This group of people who  
11 have taken over Detroit will not chase us out. They've  
12 picked us -- they've picked a fight. They will lose. Thank  
13 you.

14 THE COURT: Thank you. Mary Jo Vortkamp.

15 MS. MARY JO VORTKAMP: Good afternoon. My name is  
16 Mary Jo Vortkamp, and I'm a current employee with over 28  
17 years of service covered by the City of Detroit's Retirement  
18 System, health benefits, and life insurance. My parents are  
19 also retirees of the City of Detroit, and many of my friends,  
20 neighbors, and customers are retirees of the City of Detroit.  
21 I am concerned about how the bankruptcy will affect the city  
22 moving forward and my family. I have a four-year-old son,  
23 and I don't want him to be burdened with taking care of me  
24 financially in my old age, which up until this past couple of  
25 years I thought was protected by the Michigan Constitution,



1 Article IX, Section 34, and the United States Constitution --  
2 thank you -- contract section.

3 I talked with friends a couple weeks ago, and I've  
4 talked to at least a couple of them that are paying more than  
5 \$800 a month for insurance. They retired a little younger  
6 and thought that their health insurance would be covered by  
7 their retirement.

8 I object to page 63, conditions to the state's  
9 participation. It's outrageous to bargain away a  
10 constitutional right. How could Jones Day and the state even  
11 put this in a plan of objection? I object to the investment  
12 committee. Retirees have a right to elect the  
13 representatives that control their money. This is not the  
14 government's money. This needs to be democratic, so if they  
15 do not agree with the investments, they can vote people out.  
16 How does stopping the involvement and lawsuits against Public  
17 Act 436 fit into the Bankruptcy Code?

18 I object to page 58, post-bankruptcy governance.  
19 These are not elected officials. This is the United States  
20 of America. This is a Chapter 9 bankruptcy. They should not  
21 interfere with how we are governed. How exactly does this  
22 20-year plan not interfere with democracy and rules of  
23 Chapter 9? Detroit deserves democracy and nothing less.

24 I object to the pension plan because it does not say  
25 how the new trustees would be elected. If the assumption

1 is -- and there should be no assumption in a bankruptcy  
2 plan -- that they are not elected but selected, I object to  
3 that. There is extraordinary value in being in a position of  
4 economic power that is elected. The fear of losing the  
5 position usually drives the person to do a good job. In the  
6 American revolution, Americans believed the same thing  
7 breaking away from a nonelected official, the King of  
8 England, to have an elected government that would represent  
9 their interests.

10 I object to the State of Michigan list of approved  
11 investment managers. How is it picked and why? The GRS and  
12 PFRS is already better funded than MERS, so how are they in a  
13 position of expertise to make this list? What is the  
14 criteria for the list? Considering that this will give those  
15 managers quite a lot of money, fees are neither capped nor  
16 noted in the plan. Who is on that list? I would expect that  
17 to be an exhibit.

18 I object to any payment of claims to the DDA, Class  
19 13, page 43. Authorities are undemocratic entities that do  
20 not belong in a democracy and certainly should not get paid  
21 in bankruptcy.

22 I object to the following service providers if they  
23 were not bidden out properly, which I cannot tell by the  
24 submitted information in the plan: Heritage Vision, Golden  
25 Dental, Aon Hewitt, Blue Cross, Susan Nelson from Boston,

1 Flex Plan, Inc., from Washington state being used for  
2 healthcare; Miller Canfield being used for bonds; and any  
3 other specifically named entities I may have missed. If they  
4 were not bidden out properly, how can we be -- the city be  
5 sure we are getting the best price for service? If they were  
6 not bidden out, how is this improving the financial future  
7 for Detroit?

8 I object that this bankruptcy plan requires the  
9 waiving and exercise of -- exercising constitutional rights  
10 are then stating the bankruptcy agreement and the Bankruptcy  
11 Court if this -- if approving this plan is above the  
12 Constitution. I thought the courts were to enforce the  
13 Constitution.

14 I object to page 255 regarding post-bankruptcy  
15 future legislation. How does that fit into the Bankruptcy  
16 Code? That overreaches the process itself. I object to the  
17 establishment of an investment committee. I objection -- I  
18 object to Section H, page 40, of the state contribution  
19 agreement. This is just one paragraph, would make the  
20 forefathers of this nation roll over in their graves.

21 I object to Section D, the annuity saving fund  
22 recoupment. I object to the clawback of annuities. If there  
23 really was a problem with the amount of interest given, that  
24 should have been taken care of at the time it happened. It  
25 is unjust to take back interest that people were given in

1 good faith. If you claw this back -- if this clawback is  
2 just and equitable, there is a lot Detroit claw back from  
3 banks, from swaps, from predatory loans, and more. Detroit  
4 should also then be clawing back any interest made off of  
5 Detroit's payments. I thought you could only claw back if it  
6 was fraudulent.

7 I object to injunction page 41. It is not right  
8 that these groups have no responsibility for their action. I  
9 object to starting on page 52, Section E, the state  
10 agreement. Seventy-five percent of the independent members  
11 is not representative of the retirees themselves. It is  
12 unclear who these independent members represent and why they  
13 should be over it.

14 I object to the transfer of the DIA's assets. They  
15 belong to the city. I object to page 76, 2.4, no guarantee.  
16 I object to page 81, 5.9, referring to Exhibit A at page 117.  
17 The bank compensation is blank. It does not give me --

18 THE COURT: Ma'am, your time has expired. Can I ask  
19 you to wrap up?

20 MS. MARY JO VORTKAMP: Yeah. I would also like to  
21 point out that these are a whole bunch of people that have no  
22 law degrees, and this is some representative of the quality  
23 of people hired by the city that expected this pension  
24 guaranteed by the state when they retired and could have gone  
25 out and done extraordinary things other places besides

1 working for the city.

2 I would also like to point out that if what they  
3 really, really wanted to do was clean up Detroit and its  
4 government, then I should have heard the word "forensic  
5 audit" in something somewhere, and I really have heard an  
6 absence of that because if we truly don't know what's going  
7 on, how can we fix it going forward? Thank you very much.

8 THE COURT: Thank you. Shirley J. Walker.

9 MS. WALKER: Good afternoon, your Honor, Judge  
10 Rhodes. My name is Shirley Walker. I am a senior  
11 development specialist with the City of Detroit, Planning and  
12 Development Department. I object to the city's plan of  
13 adjustment as a City of Detroit employee. For the past few  
14 years, the City of Detroit has decreased my pay, benefits,  
15 and increased my responsibilities for health, dental, and  
16 optical care. Because of this, I have found it very  
17 difficult to make ends meet. It has created a severe  
18 hardship on me and my family of which I have a critically ill  
19 daughter to support on a single income. My household  
20 finances have been increasingly strained regarding paying my  
21 bills as much, so I have had to exhaust my entire available  
22 annuity and take out loans to attempt to make ends meet. My  
23 quality of life has decreased tremendously. The city imposed  
24 unpaid budget required furlough days to be continued -- to be  
25 continued for three consecutive 12-month periods. Then later

1 the city implemented the city employment term, CET, on the  
2 employees, which included a ten-percent pay reduction.  
3 Additionally, various other sanctions were imposed on the  
4 employees such as the following: merit and step increases  
5 eliminated, vacation accrual capped, elimination of swing  
6 holidays and election days as a holiday, award of reserve and  
7 seniority sick banks discontinued. Supplementary jury duty  
8 pay was eliminated. Employees no longer receive a three-day  
9 reimbursement for use of their vehicle on city business.

10           The big change is in healthcare requiring employees  
11 to take -- to make -- I'm sorry -- 80/20 contributions.  
12 Increased health insurance deductibles, co-insurance maximum  
13 increased, emergency room copay increased, and a new hospital  
14 admission copay, also a prescription copay increase.  
15 Retirement multiplier was decreased and the escalator  
16 eliminated, longevity pay discontinued, bonus vacation days  
17 discontinued. As you see, my pay has constantly went down  
18 while my benefits and responsibilities has constantly gone  
19 up. This makes it impossible to sustain an acceptable  
20 quality of life and my ability to pay my obligations causing  
21 me to continue to borrow in order to keep me from drowning in  
22 debt, but is it really? At least I have not been forced out  
23 of my home as yet, but I am getting very close to this  
24 reality. It just seems as if all the individuals who created  
25 the situation are not required to be accountable for it. It

1 is only being forced on the backs of employees and the  
2 retirees of the city. I am in a federal grant-allocated  
3 department, and my salary and benefits are not supposed to be  
4 adjusted because they are provided for in the grant. Thank  
5 you for your time.

6 THE COURT: Thank you, ma'am.

7 MS. WALKER: Thank you.

8 THE COURT: William Curtis Walton.

9 MR. WALTON: Good afternoon, your Honor. May it  
10 please the Court, this comes in response to the fourth plan  
11 of adjustment filed by the City of Detroit. I object to that  
12 fourth plan of adjustment as a retiree of 32 years earning a  
13 full service retirement and full benefits, which went into  
14 effect on October 27th, 2012. I reject it on the basis of  
15 being unconscionable, and I'll -- and what I'd like to do  
16 is -- I have my comments written, and I will present that to  
17 the Court.

18 THE COURT: Okay.

19 MR. WALTON: Okay. But I'll go through them right  
20 now.

21 THE COURT: Sure.

22 MR. WALTON: In retirement, my gross pay is just  
23 short of \$30,000. When I retired on October 27th, I was told  
24 by managers and employees of the General Retirement System  
25 that I -- after I received and liquidated my first pension

1 payment, that my pension was fixed, locked in and set in  
2 stone and could not be modified subsequent to that point. On  
3 more than one occasion, I have heard the city's so-called  
4 emergency manager as he has said that pensions and benefits  
5 earned by Detroit retirees were, quote, unquote,  
6 sacrosanct -- I don't know the meaning of that word -- I mean  
7 I'm trying to get the gist of this -- and protected by the  
8 Michigan Constitution, which the governor of the State of  
9 Michigan swore in his oath of office to uphold and protect.  
10 However, this case must be seen by this Court -- I'm sorry --  
11 by this Honorable Court as quite the opposite of that oath.  
12 That is, it's an attack on the Constitution of Michigan by  
13 the governor of the State of Michigan through his appointee,  
14 the emergency manager of the City of Detroit.

15           My hand was forced in my decision to retire in  
16 October at the age of 57 because the Bing administration  
17 decided that it was going to take away the payment of unused  
18 sick time and adjust my retirement multiplier, which would  
19 greatly affect the amount that I would receive in retirement  
20 for the rest of my life. Prior to that threat, my intention  
21 was to remain employed with the City of Detroit and to  
22 elevate myself through education and preparation into a more  
23 senior position, thereby being able to pay back the \$125,000  
24 in student loans that I took out in order to improve myself  
25 to the level of a master's, an MBA.



1 Over the years, I've taken layoffs. I've taken pay  
2 cuts. As you've heard on numerous occasions by numerous  
3 testimony that over the years we've taken these cuts, and  
4 we've lived through this in order to reach this golden day of  
5 having our retirement, which would be locked in stone.

6 There was a point in time where city employees were  
7 required to live in the city. That was found to be  
8 unconstitutional under the Archer administration, and at that  
9 point I could have left the city and received a tax benefit  
10 for leaving the city of a reduction in my city income tax. I  
11 chose to stay, and I still remain to this day.

12 Approving this so-called fourth plan of adjustment  
13 would have a domino-like effect causing future such filings  
14 in other cities like Chicago and Los Angeles with national  
15 implications. Remember, federal, state, and municipal  
16 employees and judges are public employees, all of whom are  
17 entitled to receive their public pensions that they have  
18 earned for their years of service just like me. What makes  
19 their pensions different from mine in the context of this  
20 type of -- this type of action?

21 This so-called plan of adjustment is unconscionable  
22 for me because it proposes a 20-percent cut to my pension,  
23 not four and a half. There's also a 15-1/2-percent clawback,  
24 which I just -- I can't afford. I'm already experiencing the  
25 loss of my healthcare benefits, and as a diabetic I consider

1 that a threat to my life by the governor and his appointee,  
2 Kevyn Orr. So my appeal is to your superior judgment. It's  
3 an act of self-defense for me.

4 THE COURT: All right. Sir, your time has expired.

5 MR. WALTON: Okay. Well, may I close?

6 THE COURT: Yes.

7 MR. WALTON: I'm here before you again, your Honor,  
8 the people of which, by which and for which this federal  
9 government stands, pleading that any loss of income or  
10 benefits that I have earned would cause me and my family  
11 serious and irreparable financial harm. Therefore, I hope  
12 that my objection finds favor with the Court, and you will  
13 object and disallow this unconscionable plan of adjustment,  
14 which fails to make retiree -- any plan of adjustment which  
15 fails to make retirees whole for their pensions and the  
16 benefits that they've earned. Thank you for your time.

17 THE COURT: Thank you, sir.

18 MR. WALTON: And God bless America. And may I  
19 just --

20 THE COURT: Yes, yes. Thank you. Beverly A. Welch.

21 MS. WELCH: Good afternoon, your Honor. My name is  
22 Beverly Welch. I'm a 30-year employee of the Detroit Water  
23 and Sewerage Department. I retired as a supervisor, a  
24 customer service trainer, and I'm here to voice my objections  
25 to the grand plan.

1           I've read your bio, your Honor. Your peers believe  
2 you to be fair, and you give second chances, but you do not  
3 like your time to be wasted by ill-prepared lawyers, and you  
4 do not take any bull. You are called the Scotty Baldwin --  
5 or Scotty Bowman of judges. I don't have reference to that,  
6 so I'm assuming that's a sports reference. You know that  
7 lawyers are going -- you know what lawyers are going to do.  
8 You know what they're going to say, and you are always ready  
9 for it. No lawyer will sneak anything past you or trick you.  
10 You will force everyone to be on their A game. You were  
11 appointed to this case by Chief Bankruptcy Judge Alice  
12 Batchelder, who found you best qualified to preside over this  
13 case. Your Honor, I have sat in many of your proceedings,  
14 and I find this assessment to be correct.

15           You have already heard the pensioners' objections to  
16 being included in this bankruptcy action and the detriment it  
17 has and will cause to our livelihood. My objections are the  
18 same, and I won't waste your time citing them over again, but  
19 I do have some questions, sir. If our constitutional rights  
20 were trumped by federal bankruptcy laws, why were we told  
21 that when the pensioner -- why then were we told the  
22 pensioners -- let me start this over again. If our  
23 constitutional rights were trumped by federal bankruptcy laws  
24 as we were told, why then were the pensioners coerced into  
25 relinquishing those rights in exchange for a smaller cut to

1 their pensions because I voted no based on that fact?

2 I further object to a nonimpartial consulting firm  
3 hired by Mr. Orr counting our votes and that the retirees and  
4 active employees were tallied together when we have very  
5 separate issues involved not to mention that the Court has  
6 not yet ruled on important actions pertaining to this  
7 situation. It just seems to me that a lot of putting the  
8 cart before the horse, as my deceased mother would say, has  
9 occurred. In all the years of my participating in general  
10 elections in this country, I have never had my vote tabulated  
11 by the very politicians running for office, and, in my  
12 opinion, that is what basically has happened here, nor have I  
13 ever been told that I could change a vote I already  
14 submitted. Also, the ballots were mailed before factual  
15 information was obtained and published, and confusion entered  
16 the process when revised ballots were mailed out, and  
17 explanation letters were not sent to everyone concerned.  
18 There were also those who did not receive ballots and, upon  
19 contacting the consulting firm in question, were told that a  
20 great number of people have called in requesting ballots, so  
21 much so they had to be e-mailed to those requesting to beat  
22 the deadline. In my opinion, sir, the entire process was  
23 handled poorly. Having some experience in legal proceedings,  
24 I understand certain actions are allowed but can be appealed.

25 And lastly, your Honor, I find it unfortunate,

1 reprehensible, and heartless that the governor and Mr. Orr  
2 can put together their collective heads and come up with a  
3 plan to save the DIA keeping it whole, yet they have failed  
4 to do the same to save our pensions. What does that say  
5 about the human condition that art and artifacts are more  
6 important than the lives of a segment of the people, also  
7 that those who owe this city millions, including the State of  
8 Michigan, and have the revenue to pay are allowed settlements  
9 for pennies on the dollars while Mr. Orr and his law firm  
10 have been paid -- I heard over 700 million -- I've heard  
11 other things since I've been sitting here -- by a city that's  
12 bankrupt?

13           When this has all been written in the history books,  
14 your Honor, how will it reflect upon those making these  
15 decisions? I have always heard that law should be tempered  
16 with mercy and justice, and that's all we're asking for. I  
17 thank you for the opportunity to speak, but I also wanted to  
18 say as a Water Board employee the reconnect water fee is \$30,  
19 and it is true that the commercial customers have that  
20 water -- storm water drainage, but they also have a meter  
21 that meters the usage of their water. And whenever they  
22 contest the storm water drainage, they must pay their meter  
23 water bill, so if they are not doing that, then Mr.  
24 Latimor -- or Latimer should be making sure that happens.  
25 Okay.

1 THE COURT: Thank you.

2 MS. WELCH: All right.

3 THE COURT: Paul C. Wells.

4 MR. WELLS: I'm not going to go over what everybody  
5 else was saying about how they contest it because you've  
6 heard why we contest it. I can tell you a little bio about  
7 myself, and I can tell you anything want to know about  
8 collections in the water department. I worked there for 32  
9 years, and I worked my way up from a mail messenger up until  
10 I was over -- the administrative supervisor over the complete  
11 field operations for commercial division. Therefore, I  
12 handled the meters, the meter readings, and the collections  
13 aspect, and we also had field service, which was a crew that  
14 went out and shut people's water off. Up until the last  
15 three years when Mr. Mercado was -- he is the head honcho  
16 over -- director of the water department, we took an idea to  
17 him to start cutting off water, but in the idea you have to  
18 get the big fish first, and the little fish will be in fear.  
19 So right now they're not handling it as well as they could if  
20 they would have got the big fish first by going after the  
21 commercial accounts, but we're not here to talk about that.  
22 But if you need to know anything, check your history and the  
23 people who work there. I see that you got a lot of input  
24 from people who work there, and you learned a lot today  
25 because the people that are in there now, they're not

1 always -- they don't always know because they didn't work the  
2 job. I worked my job, like I said, from the mail messenger  
3 up, so it took some time, but hard work paid off, and that's  
4 what I was looking forward to in retiring. I'm retired now,  
5 and I've been retired almost four years. I'm looking forward  
6 to being a senior citizen, and looking forward for that I  
7 would like to have some of the benefits that I was promised,  
8 and you know what those were. Put yourself in my shoes, and  
9 if it were you, how would you feel if you worked 32 years and  
10 they start pulling away things that they promised you in the  
11 first place? The medical benefits, you know, if you start  
12 taking away people's money and you took away their medical  
13 benefits, how are they going to pay for their medical  
14 benefits if you've already taken them away and they don't  
15 have money? I just don't understand that. And I don't get  
16 this cost of living. How can you take away the cost of  
17 living? If I'm only going to pay you so much money for the  
18 rest of your life, it's not going to go up at all? And the  
19 price of things going up, gasoline, insurance, medical  
20 bills -- all that is going up, and how can you -- how can you  
21 sit there and say you're not going to pay me any more money  
22 even though it's just a little bit yearly, just a little bit?  
23 You're never going to give me any more money than what I'm  
24 already getting. I just can't get with that. So I mean I  
25 get kind of hyper, so I'm just going to let it go at that,

1 but I wish you would really look at this and take into  
2 consideration if it was you, what would you do because if it  
3 was me and you're going to take away my health insurance and  
4 my money, I'd rather just die. Let me just die now instead  
5 of just milking me out. Thank you, your Honor.

6 THE COURT: Thank you, sir. Carl Williams.

7 MR. WILLIAMS: Hello. Hello. First of all, I'd  
8 like to ask is this a presentation, or is this testimony?

9 THE COURT: It's your presentation to the Court on  
10 why you object to the plan.

11 MR. WILLIAMS: Okay. For the record, I just wanted  
12 to know.

13 THE COURT: Yeah.

14 MR. WILLIAMS: You know, it's not testimony. It is  
15 a presentation.

16 THE COURT: That's right.

17 MR. WILLIAMS: So is it binding?

18 THE COURT: I'm not sure what you mean by that. I  
19 want to -- I want to consider whatever you have to say.

20 MR. WILLIAMS: Okay. So it's legally binding?  
21 Whatever we say here, is it legally binding, what we can use  
22 to object to the bankruptcy proceeding?

23 THE COURT: Yes. This is your objection to the  
24 plan.

25 MR. WILLIAMS: All right. Well, you know, I filed



1 quite a few objections, so I won't be able to cover all of  
2 them, but there is some things that I'd like to say as far as  
3 the objections is concerned and as far as this whole  
4 bankruptcy proceedings is concerned. You have heard a lot of  
5 heartfelt presentation, testimony, or however you want to  
6 characterize it here today, and what we are talking about  
7 really is the present and the future way of life that we're  
8 going to have based on this bankruptcy.

9 Now, there are laws that were supposed -- this  
10 supposed to be a community of laws and policies. And when  
11 you're talking about something as important as the bankruptcy  
12 procedures, those procedures should be adhered to and  
13 followed, and I have wrote a number of objections explaining  
14 and telling that they have failed to do so. One of the  
15 things that it says is that you have to be -- bargain in good  
16 faith or conduct business in good faith and not violate the  
17 Bankruptcy Code and procedures, which this bankruptcy has  
18 consistently done throughout. One of the things that they  
19 did do from the outset, Orr is not an elected official. He's  
20 a representative of the state, an agent of the state, and the  
21 biggest farce or the biggest deception that have been put on  
22 the public is that the city filed for bankruptcy which, in  
23 fact, the State of Michigan filed bankruptcy because Kevyn  
24 Orr is a state official who filed for bankruptcy. He didn't  
25 seek consent from the city council. He just went and did it

1 on his own. Now, the law says under 11 U.S.C. 903, which is  
2 the creditor, when the bankruptcy is filed, it has to be by  
3 consent. 904 says the debtor. Neither has to file about  
4 consent. Neither one of these processes was done. Both of  
5 them was violated, 903 and 904. I mean so how can you allow  
6 this to go on when we are a nation of rules and laws, and  
7 they consistently have violated them? You know, the law says  
8 only a municipality can file for bankruptcy. Okay. Well,  
9 who represent the municipality? An elected official. The  
10 mayor wasn't part of this bankruptcy procedure. The city  
11 council wasn't part of this bankruptcy procedure nor did  
12 Kevyn Orr seek their advice and information to proceed for  
13 this bankruptcy. The whole thing was did under deception and  
14 not in good faith. How can you say Kevyn Orr, who is an  
15 agent of the state -- the state owed us \$224 million in 2012  
16 plus 224,000 in 2013 plus interest, so I don't know how much  
17 that was. Then he turn around and filed for bankruptcy. How  
18 can you say that he filed bankruptcy in good faith when they  
19 owe this money and the governor just stood up and said he  
20 wasn't going to pay it? Did that sounds like you in the best  
21 interest of the City of Detroit? Even in the plan of  
22 adjustment one of the things that it said, it said if you  
23 implement the plan, the plan has to be for the benefit of the  
24 creditors. Now, I've heard everybody speak here. I haven't  
25 heard not one person from either side say that -- or point

1 out one thing in this plan of adjustment that was in the  
2 benefit of the creditors --

3 THE COURT: Sir, your time is --

4 MR. WILLIAMS: -- because there are none.

5 THE COURT: Your time is up, sir, so let me ask you  
6 to wrap up, please.

7 MR. WILLIAMS: So -- yeah. Thank you. One thing I  
8 want to say, that the Court never had jurisdiction in the  
9 first place. I want to get that on the record. I filed  
10 hundreds of -- I don't know how many objections stating this  
11 point, and you never addressed it. First of all, you're a  
12 magistrate, and a magistrate doesn't have the authority to  
13 make judgments on pension benefits and constitutional  
14 benefits, plus he's not an Article III judge or is this the  
15 Article III court? All of these things should have been  
16 decided before the bankruptcy even moved forward.

17 THE COURT: All right, sir. Your time is expired.  
18 Thank you. Yvonne Williams-Jones, please.

19 MS. WILLIAMS-JONES: Thank you. I have a copy of my  
20 presentation in case I --

21 THE COURT: Would you like to hand that to me?  
22 Okay.

23 MS. WILLIAMS-JONES: I object --

24 THE COURT: Yeah. Pull that down. Good. Thank  
25 you.

1 MS. WILLIAMS-JONES: I object to the plan of  
2 adjustment because I'm a retiree of 30 years from the City of  
3 Detroit. I object because my pension is 100-percent funded  
4 by the system itself. This is per Gabriel, Roeder, Smith &  
5 Company, Consulting and Actuary, 75th Annual Actuary  
6 Validation dated June 30th, 2013. The Detroit General  
7 Retirement System funding objective is to meet long-term  
8 benefits promised through contributions made during members'  
9 working careers, which is combined with investment income on  
10 system assets. As each member of the Retirement System  
11 acquires a unit of service credit, they are, in effect,  
12 handed an IOU which reads, "The Retirement System promises to  
13 pay you one unit of retirement benefits payments in cash  
14 commencing when you retire." The principal related financial  
15 question is when shall the money required be covered -- cover  
16 the IOU be contributed? And the State of Michigan is real  
17 clear on that. Financial benefits arise on account of  
18 service rendered in each year. Each fiscal year shall be  
19 funded during that year, and such funding shall not be used  
20 for financial underfunded accrued liabilities. This  
21 Retirement System meets this constitutional requirement by  
22 having the following financial objectives: to meet long-term  
23 benefits promised through contributions made during members'  
24 working careers, which, combined with investment income on  
25 system assets, will be sufficient to pay benefits throughout

1 their retired lives. Based on this practice alone, my  
2 pension and the pension of all of the city retirements are  
3 fully funded.

4 I object to the plan of adjustment because the  
5 underfunded liability has been changed to using an interest  
6 rate of return of 6.75. This rate of return is too low, and  
7 the details are in my report based on information from the  
8 National Association of State Retirement Administration  
9 because using a rate too low is just as detrimental as using  
10 one too high.

11 I also rejected this plan because we cannot trust  
12 the government officials to do what the law requires them. I  
13 do not understand how the State of Michigan can just decide  
14 not to follow the law, and I'm speaking of revenue sharing.  
15 It's a statutory law, statutory revenue law. Detroit has  
16 been denied \$732 million from 2003 to 2013. This money was  
17 denied around the same time that Mayor -- former Mayor  
18 Kilpatrick sold the pension bonds. I just have to wonder if  
19 the state had paid this money, would we be here today?

20 I object to the plan of adjustment because it was  
21 also -- when the state decided to help us, they attached 11  
22 different bills to control the city to provide \$194 million  
23 as opposed to paying the revenue share of 732 million.

24 I object to this plan because of the recoupment of  
25 the interest rate for retirees. And while I was in the

1 earlier session, several of the retirees were there. I mean  
2 I sat in the overflow room, and the question was raised about  
3 did they get a summary of their costs, itemized statement.  
4 And it was said that if you requested it, that it would be  
5 given to you. And several people wanted me to make sure that  
6 I let you know that they have requested that information, and  
7 they have not received it nor have they received a printout  
8 or a phone call.

9           Also, someone else asked me to mention that if the  
10 city paid this money in error, why can't they write that off  
11 as the same as they're writing off so many other things as  
12 opposed to pushing it on the back of the employees -- on the  
13 retirees and employees?

14           I also object to the plan of adjustment because I  
15 just believe that the Constitution of the State of Michigan  
16 knew exactly what it was doing. I sat during the hearings  
17 when the retirees came before when you made the decision  
18 whether or not to impair pensions, and I heard them over and  
19 over state the same citation, and you were very sympathetic,  
20 and, you know, you did state and it has been stated that  
21 federal law trumps city law -- trumps state law. But in  
22 reading the Chapter 9 Bankruptcy Codes, it states something  
23 in the effect that Chapter 9 does not limit or impair the  
24 power of the state to control by legislation or otherwise  
25 municipalities or in such state in the exercise of its

1 political and government power. And it just seems like the  
2 state -- the Chapter 9 is giving the Court the right to allow  
3 the state to keep this commitment to the retirees.

4 THE COURT: All right. Ma'am, your time has  
5 expired. Will you wrap up, please?

6 MS. WILLIAMS-JONES: Yes. I'll just go to the end  
7 of it in a sec. I object to this plan, and I rejected this  
8 in my vote, because it is unfair to retirees placing the  
9 burden of Detroit's financial problems on retirees and not  
10 the real sources, the banks and the State of Michigan. The  
11 purpose of the government is to provide for its citizens,  
12 which retirees are a part of. To allow private corporate  
13 lawyer firms to come into cities and loot public pension  
14 funds in the name of bankruptcy is un-American. If the State  
15 of Michigan and this Bankruptcy Court won't stop this, I  
16 believe the federal government needs to investigate this  
17 process and change the codes to protect its public service  
18 workers across the country. I reject the plan of adjustment  
19 because it is an unfair plan placing unnecessary financial  
20 burden on the retirees of Detroit. Thank you.

21 THE COURT: Thank you. Laura Wilson.

22 MS. WILSON: Judge Rhodes, I am a -- I have been a  
23 retired city employee. I worked for the city for 33 years,  
24 and I just want to say --

25 THE COURT: Will you point the microphone up a

1 little higher so it's aimed right at you? Thank you.

2 MS. WILSON: I worked for the city for 33 years, and  
3 I just want to say I agree with everything everybody before  
4 me said. By now you have heard every plea, appeal, and  
5 hardship as to why a good number of retirees are not willing  
6 to accept the conditions in Alternative A or Alternative B  
7 plan of adjustments. If the intent of the powers that be was  
8 to scare the retirees into accepting alternative Plan A, they  
9 were partially successful. I am scared to death, but I could  
10 not in sound mind and good conscience vote to make me and my  
11 family financially and physically ill.

12 I have previously sent you a letter stating all my  
13 reasons and woes why I object to both plans, so I won't take  
14 up any more time by repeating them. I understand everyone is  
15 going to have to make some sacrifices, but the retirees  
16 should not have to make the biggest. We are not expendable  
17 people. We and our families deserve a decent, healthy,  
18 comfortable life. What's being done to us is unconscionable.

19 I predict that in 20 to 30 years when all facts are  
20 told, historians will be able to document what a travesty of  
21 justice these bankruptcy proceedings were. I suspect this is  
22 difficult for you also. I can't imagine you want retirees to  
23 suffer, but we are, and we will. Thank you for your  
24 consideration. One of the retirees was up here earlier, and  
25 he forgot to drop this off, so can I turn this in for him?



1 THE COURT: Sure. Who was that?

2 MS. WILSON: Bill Walton.

3 THE COURT: Mr. Walton?

4 MS. WILSON: William Walton.

5 THE COURT: Okay. Sure. If you'll just hand that  
6 to my staff. Thank you. Thank you, Mr. Walton. Steven  
7 Wojtowicz.

8 MR. WOJTOWICZ: The Honorable Judge Rhodes, I'm  
9 here. My objection is to the interest that's being added to  
10 the recoupment of the annuity. I received my bankruptcy  
11 documents, and it's quoted that, "Your annuity fund excess  
12 amount will be capped at 20 percent of your highest ASF  
13 account balance during the period from July 1st, 2003,  
14 through June 30th, 2013, and this amount will be converted  
15 into a monthly annuity amount based on your life expectancy  
16 and other factors. The monthly annuity savings fund excess  
17 amount will be deducted from your pension check," end quote.  
18 My recoupment was showed to be \$89,000 at \$600 a month. My  
19 calculation showed that a payback of 89,000 will happen in 12  
20 years. However, the documents indicate that the amount is  
21 based on life expectancy. I am 55 years old, life expectancy  
22 of 25 more years, so my recoupment amount would add up to  
23 \$189,000 or more. And, quote, also, it says, "The total  
24 estimated amount of your annuity savings plan recoupment is  
25 89,000," again, no mention of interest rate added onto that.

1 I proceeded to contact Dentons lawyers' group, which counsels  
2 represent the retirees, and that's when I learned that they  
3 said that there's a 6.755-percent interest rate added to the  
4 capped recoupment. They told me that this was news to them  
5 also. I then e-mailed them, asked for documentation and  
6 where is it stated about the 6.75 percent. I have  
7 documentation in written form that the 6.75-percent interest  
8 rate is not included in any of the bankruptcy documents. The  
9 bankruptcy documents received stated to be in plain language  
10 summary, but yet never do they mention that 6.75-percent  
11 interest rate. Again, another quote, "The city believes  
12 that the annuity savings fund recoupment process subject to  
13 the 20-percent cap will permit the city to recover \$230  
14 million of such excess interest," end quote. Again, they  
15 don't mention the 6.75 percent. This 250 million will  
16 balloon to maybe 400 million with the interest. And once my  
17 recoupment has been paid, the same monthly deductions will  
18 continue until the retiree dies, and then the recoupment  
19 amount will continue into the beneficiary's allotment. This  
20 seems to be excessive especially if the retiree started with  
21 the city at a young age like myself. In addition, the 6.75-  
22 percent interest rate is much higher than a typical mortgage  
23 or home equity loan.

24 In summary, Honorable Judge Rhodes, I do not believe  
25 this is fair and equitable to have a few pay for the

1 majority. This was done to achieve more yes votes. I  
2 believe this is unjust and deceptive to impose a 6.75-percent  
3 interest rate on top of the cap recoupment when it was never  
4 clearly stated or in plain language in the bankruptcy  
5 documents. Honorable Judge Rhodes, would you sign a legal  
6 document without fully documented accounted costs? That's  
7 it.

8 THE COURT: Thank you, sir.

9 MR. WOJTOWICZ: Thank you.

10 THE COURT: Alicia Zagar. All right. Is there  
11 anyone else from either this morning's session or this  
12 afternoon's session whose name I haven't called or who  
13 perhaps came in after I called their name? Step forward,  
14 please.

15 MS. DARRAH: I was supposed to be here this morning.

16 THE COURT: What is your name?

17 MS. DARRAH: Lucinda Darrah.

18 THE COURT: All right. Ma'am, I'm going to let you  
19 address the Court.

20 MS. DARRAH: Yeah. Okay.

21 THE COURT: But the last time you were here, you had  
22 a lot of trouble keeping within my five-minute or --

23 MS. DARRAH: Okay. Well, that's why --

24 THE COURT: -- perhaps it was a shorter time limit  
25 back then. I'm going to ask you to commit to me that you're

1 going to speak for five minutes.

2 MS. DARRAH: That's hard, but --

3 THE COURT: Is that your commitment to me, ma'am?

4 MS. DARRAH: That's why I wrote these out and ran  
5 them off.

6 THE COURT: All right.

7 MS. DARRAH: That's what I was going to --

8 THE COURT: You may begin.

9 MS. DARRAH: But I just want to go back a little bit  
10 off of what I wrote out because I don't think it's covered  
11 well enough. This election seemed awfully strange to me  
12 because I've never seen an election where you have a  
13 committee that's appointed by a bankruptcy -- or I guess the  
14 court trustee selected our committee to negotiate for us, and  
15 then the Bankruptcy Court gave them money to keep mailing us  
16 notices out telling us that we should vote yes. I asked for  
17 and I know that Meah -- he tried to FOIA a contact list, so  
18 we were -- it was like a one-way -- you could only hear vote  
19 yes. We that were against it had no voice, and we had no way  
20 to contact people, and I think that's totally undemocratic.  
21 Even in MERC, Michigan Employment Relations Commission, when  
22 you read their rules for elections, they certainly allow you  
23 to communicate with the voters when you've got a position.  
24 You don't just hear one side.

25 And Cecily noted that these ballots could have been

1 cheated on because we had one page with the accept and reject  
2 and then the second page where you sign it. Well, that's  
3 true. They could have just substituted new pages, and we  
4 weren't there to count them. They were in California instead  
5 of done here locally like they should have been done, and so  
6 we'd like a revote, a local election. And also I thought,  
7 well, it's not a secret ballot, so if you were still an  
8 employee, you would -- could have some discrimination against  
9 you because they know how you vote. And Kevyn Orr mentioned  
10 that it was two to one in favor, so they were evidently  
11 opening the ballots up every day, and then they started  
12 sending letters out. We want you to -- we think it's best  
13 you vote yes and accept this plan, and yet if you want a new  
14 ballot, just ask for one, and we'll send you a new ballot so  
15 you can change your vote from no to yes. This kind of  
16 election is kind of strange, I would say, so I think I  
17 covered most of that.

18 And also there were CD's that were blank. There was  
19 3,200 incorrect ballots that calculated the annuity wrong.  
20 Some people -- there were quite a few people calling in  
21 saying they didn't have their ballots, so I think the last  
22 speaker really -- that's pretty damning if you're going to  
23 not explain something and take something away.

24 Okay. Now I'm going to go to what I prepared. This  
25 is -- I'll have to kind of summarize this, but basically --

1 THE COURT: You have two minutes left, ma'am.

2 MS. DARRAH: Shit. Okay. Well, we'll get to the --  
3 I'll just mention the water because I know that's important.  
4 The water department boss that was just sentenced for  
5 conspiracy -- and now they're out there trying to collect \$33  
6 million, but they need to implement the Water Affordability  
7 Plan, which I think they've had. They just ignored it. Now,  
8 the rates have been increasing ten percent a year  
9 approximately, according to Saul, and this year it was only a  
10 four-percent increase, but the Detroiters, they pay 80  
11 percent of the retention ponds. The suburbanites -- on their  
12 sewage bill, so their bills are higher than the suburbanites.  
13 And this year New England Fertilizer Company, they've got a  
14 contract for 143 to 150 million to design, build, and operate  
15 for 20 years a dryer that's obviously -- Boston got rid of  
16 their dryers, and they don't work well. You can call  
17 Minneapolis or Boston to find out that these dryers for  
18 sludge don't work. They're run by natural gas. They won't  
19 work without having anaerobic digesters, and that's what they  
20 should have gotten, but, no, they got the cart before the  
21 horse again.

22 So the Ilitch deal, this is written up in the Metro  
23 Times issue, May 7th, and it's damning of the hypocrisy and  
24 the dishonesty of the Orr/Duggan record where they -- we were  
25 getting -- and the worst -- the most blatant easy thing to

1 understand is you see that Ilitch didn't pay on his lease  
2 from 2010 up to just recently after they gave him this  
3 sweetheart deal. Well, we're not going to get any rent for  
4 the -- and that's what's happened with this bankruptcy.  
5 They've taken our revenue that we had before, and also  
6 they're giving away things for a dollar. Well, Ilitch got --  
7 he hadn't paid since 2010, and so they gave him a retroactive  
8 lease that reduced his rent by \$2-1/2 million a year.  
9 Instead of making him pay up the money he owed under the old  
10 lease, they put him on the retroactive part under the new  
11 lease, so that's a --

12 THE COURT: All right. Ma'am, your time --

13 MS. DARRAH: -- \$15 million savings for Ilitch.

14 THE COURT: Your time has expired.

15 MS. DARRAH: This is criminal, and the other thing  
16 is that we want you to --

17 THE COURT: Ma'am --

18 MS. DARRAH: -- close down the --

19 THE COURT: Ma'am, your time has expired.

20 MS. DARRAH: -- incinerator. Can I have one more  
21 minute to finish it?

22 THE COURT: Your time has expired.

23 MS. DARRAH: You're not going to give me another  
24 minute like the other people?

25 THE COURT: You need one more minute?

1 MS. DARRAH: Yeah, yeah.

2 THE COURT: All right.

3 MS. DARRAH: I'll use every bit I can get.

4 THE COURT: One more minute.

5 MS. DARRAH: Okay. The incinerator. These people  
6 that just bought it renamed it Detroit Renewable Power.  
7 They've got a plan to try and stop the smell, but it will not  
8 stop the carcinogenic furans and dioxins that are produced  
9 whenever you burn plastic in a waste incinerator. And this  
10 has been going on for years, and now we're letting them  
11 control -- the private people control the recycling and the  
12 garbage, which is not protecting the public health, and that  
13 should be stopped. They ought -- they signed a contract in  
14 2010 to guarantee that we would take our garbage there till  
15 2021. That should be canceled, and you have the power to  
16 cancel that contract. And we've got a --

17 THE COURT: All right. Ma'am, your time has  
18 expired.

19 MS. DARRAH: -- better chance of having a healthy  
20 population --

21 THE COURT: Thank you.

22 MS. DARRAH: -- that won't be poisoned by the  
23 contractors, but basically --

24 THE COURT: Ma'am, your time has expired.

25 MS. DARRAH: -- what we've done is given away --



1 THE COURT: Ma'am --

2 MS. DARRAH: -- things for a dollar that should be  
3 allowed to be -- creditors should allow to be -- take those  
4 things --

5 THE COURT: Ma'am, your time has expired.

6 MS. DARRAH: -- instead of giving them away for a  
7 dollar.

8 THE COURT: Thank you.

9 MS. DARRAH: That would pay part of our debt.

10 THE COURT: All right. Is there anyone else who  
11 we've missed from this morning or this afternoon?  
12 Ms. Lennox.

13 MS. LENNOX: Thank you, your Honor. I'll be brief.  
14 And you may have heard some of this before, but some of the  
15 folks in this afternoon's session haven't heard it, so I may  
16 repeat myself a little bit, but, again, I'd like to thank you  
17 for holding this hearing because I think it's important to  
18 hear the individual creditors that are affected by this  
19 bankruptcy. A municipality obviously is comprised of  
20 citizens, employees, retirees, and I think it's important for  
21 them to have a voice and to be heard individually instead of  
22 through their representatives, so thank you for allowing that  
23 today, your Honor.

24 I also want to let folks know that the city and the  
25 emergency manager and the folks involved in this process do

1 understand the very significant and profound and difficult  
2 effect that this case has on their personal lives. We  
3 respect that. We understand that. It's good to be reminded  
4 of that today because it never hurts to be reminded that  
5 there's a human cost to municipal bankruptcy.

6 I said this morning and I'll say again this plan is,  
7 particularly in that respect, not perfect. It is absolutely  
8 not all we wish that it could be for the folks that we have  
9 heard today. Unfortunately, it does reflect the fiscal  
10 reality that the city is in after over 50 years of neglect  
11 and corruption and decline, and we've heard some of the  
12 residents of the city talk about that today.

13 So I would like to address a few concerns and then  
14 certainly answer any questions your Honor has of me. I do  
15 want to assure Ms. Welch and Ms. Darrah that the balloting  
16 process went according to your Honor's order. We used the  
17 ballots your Honor approved. When issues -- when somebody  
18 called either KCC or the city or I know some folks called the  
19 Retiree Committee, when we heard of people calling with  
20 ballot questions, KCC and the city and GRS -- because GRS has  
21 the information, we investigated, and, to my knowledge, we  
22 have resolved these issues when they arose. I do want to let  
23 people know that KCC is acting as an agent of this Court. It  
24 will report to this Court for what it did, how it counted the  
25 ballots, the procedures that were used, and the results of

1 the process. The city is not controlling that, and KCC does  
2 have to answer to your Honor with respect to the process that  
3 it went through and the votes -- and the results that it is  
4 certifying.

5 Secondly, I did hear some concerns about  
6 potential -- about pensions potentially having to be restored  
7 and waiting a long period of time for that potential to  
8 occur. While we cannot --

9 THE COURT: For what potential?

10 MS. LENNOX: Potential for some pension restoration  
11 to occur. While we certainly can't guarantee that it's going  
12 to happen, the potential for restoration to happen if both  
13 pension funds reach a certain funding level can happen well  
14 before 2023, certainly well before 30 years out, so it is a  
15 possibility, and it all depends on how the pensions perform  
16 with respect to their investments going forward.

17 THE COURT: And that possibility is preserved in the  
18 plan?

19 MS. LENNOX: Yes, it is, sir. One of the reasons  
20 that we wanted to have a strong governance for these pensions  
21 going forward is so that possibility becomes more of a  
22 potential reality so that we know that there is independent  
23 investment decisions being made, that folks with investment  
24 experience in these things are hired to do the investments,  
25 and so we are hoping and we believe that the governance

1 system for the two pensions that will come out of this will  
2 make these pensions stronger, healthier, and able to provide  
3 the level of return that can support the benefits going  
4 forward.

5           So with that, your Honor -- oh, I also wanted to  
6 mention one other thing, and it relates directly to the  
7 stories that were very heartfelt and very important to hear  
8 of the personal hardship that folks are experiencing here.  
9 We are not immune to that. There has been an arrangement  
10 worked out for the pensions going forward that they will have  
11 an income stabilization fund and that people can apply to if  
12 their incomes fall below a certain level of the federal  
13 poverty level. They can apply for some assistance to have  
14 some of their pensions restored based on hardship.

15           THE COURT: What is that level?

16           MS. LENNOX: I believe it's 130 percent of the  
17 federal poverty level.

18           THE COURT: So if someone's income is below that,  
19 they can apply for this support?

20           MS. LENNOX: Yes. So that will -- you know, once  
21 the plan is confirmed, if the plan is confirmed -- I'm not  
22 assuming anything, your Honor -- then that program will go  
23 into effect. So with that, your Honor, if you have questions  
24 for me --

25           THE COURT: I just want to ask you to be prepared to

1 address at some point in this process, not necessarily today,  
2 this federal statute that was cited to us this morning.

3 MS. LENNOX: Yes.

4 THE COURT: 49 U.S.C. 5333(b) (2) (B) .

5 MS. LENNOX: Yes, your Honor.

6 THE COURT: Like I say, not necessarily today but at  
7 some point. Was there something you wanted to add, Ms.  
8 Neville?

9 MS. NEVILLE: Yes, your Honor. Carole Neville for  
10 the Retiree Committee. We certainly have tremendous sympathy  
11 for the retirees and have really worked very hard to try to  
12 minimize the harm to retirees of this process. I just want  
13 to tell this gentleman who mentioned the death benefit that  
14 that is preserved in the plan. It's not taken away. It was  
15 not taken away.

16 And second of all, we did go out to KCC to check on  
17 the ballots. They're bar-coded and double-coded, and I  
18 specifically asked if they could be counterfeited, and it  
19 would be incredibly difficult to counterfeit them.

20 THE COURT: All right. Let me ask you this  
21 question. One of the objecting creditors here this afternoon  
22 mentioned 6.75-percent interest on the recoupment.

23 MS. NEVILLE: Yes, your Honor.

24 THE COURT: Is there such interest?

25 MS. NEVILLE: Yes, there is, your Honor.

1 THE COURT: And was that disclosed in the disclosure  
2 statement and in the plain English supplement?

3 MS. NEVILLE: No, it was not, your Honor, and I'd  
4 like to explain that. This is something Ms. Lennox and I --  
5 neither one of us actually knew about. It is an actuarial  
6 assumption, and all of the actuaries who were very involved  
7 in this process assumed that rate of interest. None of us,  
8 who are lawyers, recognized that that assumption was built  
9 into the annuitization, so when we did the plain English  
10 version of this, we did not disclose it. However, in  
11 subsequent letters -- and, in fact, the second letter to the  
12 retirees when the ballots were sent out again -- that was  
13 explained, so it wasn't in the --

14 THE COURT: But only a portion of the retirees got  
15 that letter; right?

16 MS. NEVILLE: The portion that got it were the  
17 people who were subject to ASF recoupment, so --

18 THE COURT: Is that all of the -- all of the ASF  
19 recoupment people got that letter?

20 MS. NEVILLE: It was --

21 MS. LENNOX: The folks that would have been  
22 annuitized.

23 MS. NEVILLE: Yeah. It was the people who would  
24 have been annuitized, so, in fact, that was explained in the  
25 letter that went out with the ballots that were incorrectly

1     calculated.

2             THE COURT:   Well, I want the record to be crystal  
3     clear about this.   Was everyone who is going to be asked to  
4     pay this 6.75-percent interest advised of that in this letter  
5     that went out with the corrected ballots?

6             MS. NEVILLE:   I'm going to have to defer to Ms.  
7     Lennox because --

8             THE COURT:   Okay.

9             MS. NEVILLE:   -- I don't -- I know that there are  
10    3,000 people affected by ASF recoupment.

11            THE COURT:   Let's defer to Ms. Lennox.

12            MS. LENNOX:   You may recall, your Honor, that you  
13    approved a stipulation a couple -- awhile back putting in a  
14    cash option for the folks that may have been annuitized.  
15    When that was announced and the order was entered, a letter  
16    was sent out to the persons who would have been annuitized.  
17    Remember, some of the recoupment is for active employees,  
18    and --

19            THE COURT:   Um-hmm.

20            MS. LENNOX:   -- that's not an annuitization.   That  
21    letter that went out explaining the fact that there would be  
22    a cash option had that disclosure in it.

23            THE COURT:   Is the 6.7 -- no?

24            MS. NEVILLE:   It was the letter with the revised  
25    ballot.

1 MS. LENNOX: Well, maybe it was that, but it was  
2 also the cash option.

3 THE COURT: Well, let's get this clarified. Let me  
4 ask you to --

5 MS. LENNOX: We will, absolutely.

6 THE COURT: -- research this and make a report to  
7 the Court on Monday about this.

8 MS. LENNOX: Will do, your Honor.

9 THE COURT: But I want to ask this further question  
10 on this subject. Is this 6.75-percent interest on this  
11 recoupment in the plan itself?

12 MS. LENNOX: It's in the numbers that are in the  
13 plan. I mean words are not in the plan, but in the  
14 underlying assumptions that went into the settlement that's  
15 reflected in the plan, that was part of it.

16 THE COURT: All right. I'm going to ask you to be  
17 prepared to show me what you're talking about on Monday as  
18 well.

19 MS. LENNOX: Okay.

20 THE COURT: All right. Thank you.

21 MS. LENNOX: Thank you, your Honor.

22 THE COURT: All right. Let me close this session by  
23 also thanking all of you again for your time and your  
24 commitment in making your presentations and your objections  
25 here to me today. I also found it -- one second, sir. I



1 also found it highly informative and will help me make what I  
2 hope will be the right decision regarding the city's plan of  
3 adjustment, so thank you. What further did you want, sir?

4 MR. WILLIAMS: I have an official ballot that I want  
5 to submit as evidence --

6 THE COURT: Okay.

7 MR. WILLIAMS: -- because the ballots that they  
8 submitted had two pages, and the signature was on one page,  
9 and you vote on another page. They could easily manipulate  
10 the vote and determine the outcome of this election, so I  
11 want to --

12 THE COURT: Okay. Would you hand that up to me,  
13 please?

14 MR. WILLIAMS: Who should I give it to?

15 THE COURT: Let me see that.

16 MR. WILLIAMS: But that's very important.

17 THE COURT: Yeah. All right. All right. We'll be  
18 in recess, but, Ms. Lennox and Ms. Neville, I want to see you  
19 at the side of the bench, please.

20 THE CLERK: All rise. Court is adjourned.

21 (Proceedings concluded at 5:22 p.m.)

## INDEX

WITNESSES:

None

EXHIBITS:

None

I certify that the foregoing is a correct transcript from the sound recording of the proceedings in the above-entitled matter.

/s/ Lois Garrett

July 20, 2014

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Lois Garrett